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**Job opportunities for whom?
Labour market dynamics and service sector
employment growth in Germany and Britain**

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Abstract

This report examines structural change in employment and the development of service-sector jobs in Germany and Britain between 1993 and 2002. During this period the British labour market was buoyant, while the employment situation in Germany can only be described as dismal. There is much political interest in the potential for creating new jobs in the service sector. But these developments raise a number of controversial issues when this involves the potential expansion of low-skill, low-wage service jobs, especially in a country such as Germany which has traditionally enjoyed a high-skill, high-wage equilibrium.

The project was designed to compare the characteristics of service employment, using comparable longitudinal data from the British Household Panel Survey and the German Socio-Economic Panel. The analysis covered the different patterns of growth in service occupations and industries in the two countries and the quality of these jobs in terms of wages and working hours. We were interested in finding out what kind of jobs had been growing and what kinds of people have been taking them up. In particular, we were interested in tracking transition patterns between non-employment and employment, as well as in examining how far, and for whom, service employment is precarious.

These are our principal findings:

The service sector offers both 'high-end' and 'low-end' jobs in terms of wages and skill levels. Managerial and professional jobs in services have grown the most in recent years, especially in Germany. These service jobs are easier to access in Britain than in Germany, partly because access is less dependent on formal training and qualifications. In both countries professional and managerial occupations account for well over 30 per cent of all employment, the highest percentage of all categories of employment.

In any 12 months unemployed men and women are more likely to find a job in Britain than Germany, and this job is more likely to be in the service sector. Distribution and consumer services are now one of the largest source of jobs, accounting for well over 20 per cent of employment. However, wages in this sector are among the lowest in both countries. Health and education and business services are the next largest groups, accounting for about 20 and 15 per cent of all jobs in both countries. Wage rates in these sectors tend to be better than in consumer services.

British workers experience more turbulence in the labour market than German workers. This means that there is more scope for both upward and downward mobility within the labour market in Britain than in Germany. In Germany transitions are more clearly associated with exits rather than with a change in occupational status.

Service-sector jobs are the main destination for young people who secure employment in both countries; and even more so for young women.

Young people entering the labour market are more likely than the unemployed to find work in sales and personal services, especially in Britain. Sales and personal service jobs are also a more significant source of work for women than men in both countries. These jobs 'mop up' both upward and downward transitions, though again more so in Britain than in Germany. However, more people drop out of work from this sector than from any other, especially in Germany. Skilled and unskilled manual service jobs have high exit rates in Germany.

The better educated you are, the more likely you are to secure a job in services. Job prospects for other lower-income groups are inferior. People from poorer households are more likely to exit service employment. Service jobs are rarely a destination for displaced industrial workers, who are more likely to find a job in non-services, if they find one at all.

The relative wage conditions and inequalities between service occupations vary markedly between the two countries. In Germany, average wage conditions are similar for jobs in sales, personal services and skilled manual work in services; clerical jobs are better paid. In Britain women working in sales and in personal services are paid much less than other service workers.

The expansion of service-sector jobs is accompanied by a wider range of working-time patterns than are found in non-service jobs. Service-sector workers are more likely to work outside the 'standard' full-time range of 35 to 44 hours. They are also more likely to be working part-time or long full-time (45 hours-plus) than people employed in non-services. Only in public-sector administration do more people work 'standard' full-time hours (35 to 44 per week) in both countries.

The number of short part-time (less than 18 hours per week) or marginal jobs has increased with the expansion of the service sector, especially in Germany in recent years. This form of employment now accounts for 10 per cent of all employment in Germany and 13 per cent in Britain. Marginal part-time work is particularly common in distribution and consumer services. Employment in marginal part-time jobs is more unstable than other working arrangements and is often followed by a labour market exit, particularly in Britain. People in 'midi' jobs (between 19 and 25 hours per week) in Germany were less likely to exit employment.

German mothers, particularly those with very small children, had lower employment rates and were less likely to return to employment in a 12-month period than British mothers. In both countries, and especially Germany, women who returned when their youngest child was under two were more likely to be returning to a professional or managerial service job than those mothers who returned when their youngest child was older. German women returners may be slower to resume employment, but a higher proportion of those that do return enter the higher quality professional or managerial service jobs than in Britain.

Young women who enter employment in Germany are much more likely to secure managerial or professional service jobs than young women in Britain or young men in either country.

In conclusion, the British economy creates more jobs and openings for entering employment than the Germany economy. But the quality of many of these jobs is problematic. The key policy issue is how to create decent paid jobs and career paths, especially for the less well qualified. Given the gender differences observed in rates of entry into and out of service jobs, and the type of occupations pursued, a gender perspective on the impact of alternative policy routes is another key consideration in the debate.

Zusammenfassung

In der vorliegenden Untersuchung werden der Strukturwandel in der Beschäftigung und die Entstehung von Arbeitsplätzen im Dienstleistungsbereich in Deutschland und Großbritannien in den Jahren 1993 bis 2002 analysiert. In diesem Zeitraum erholte sich der britische Arbeitsmarkt beträchtlich, wohingegen die Beschäftigungssituation in Deutschland nur als trostlos bezeichnet werden kann. Es gibt ein großes politisches Interesse an dem Potential für neue Arbeitsplätze im Dienstleistungsbereich. Doch führen diese Entwicklungen auch zu Kontroversen hinsichtlich einer möglichen Ausweitung von niedrig qualifizierten und niedrig bezahlten Tätigkeiten, vor allem in einem Land wie Deutschland, das lange Zeit ein Gleichgewicht von hoch qualifizierten Tätigkeiten bei hohen Löhnen hatte.

Die Untersuchung war angelegt auf einen Vergleich charakteristischer Merkmale der Dienstleistungsbeschäftigung; dazu wurden vergleichbare Längsschnittdaten des British Household Panel und des deutschen Sozioökonomischen Panel genutzt. Die Analyse untersuchte die unterschiedlichen Wachstumsmuster von Dienstleistungstätigkeiten und Dienstleistungsbranchen in beiden Ländern und die Qualität dieser Tätigkeiten hinsichtlich Entlohnung und Arbeitszeitregelungen. Es sollte herausgefunden werden, welche Arten von Tätigkeiten zunahmen und wer sie annahm. Insbesondere ging es darum, Übergangsmuster von Nichtbeschäftigung in Beschäftigung nachzuvollziehen und dabei zu untersuchen, inwiefern und für welche Personen sich die Beschäftigung im Dienstleistungsbereich als prekär erweist.

Die wesentlichen Ergebnisse:

Der Dienstleistungssektor bietet sowohl 'high-end' jobs als auch 'low-end' jobs, was Verdienst und berufliche Qualifizierung betrifft. Beschäftigungsverhältnisse in leitenden und qualifizierten Tätigkeiten verzeichneten in den letzten Jahren den größten Zuwachs, vor allem in Deutschland. Der Einstieg in diese Tätigkeiten ist in

Großbritannien leichter als in Deutschland, was zum Teil daran liegt, dass in Großbritannien eine Beschäftigung weniger an formale Ausbildungs- und Qualifikationsnachweise gebunden ist. In beiden Ländern decken professionelle und leitende Berufstätigkeiten weit über 30 Prozent der Gesamtbeschäftigung ab und erreichen damit von allen Beschäftigungskategorien den höchsten Prozentsatz.

Die Chancen für arbeitslose Männer und Frauen, innerhalb von 12 Monaten einen Job zu finden, sind in Großbritannien größer als in Deutschland; dabei ist die Wahrscheinlichkeit sehr hoch, dass der neue Job im Dienstleistungssektor gefunden wird.

Mit einem Beschäftigungsanteil von weit über 20 Prozent bieten Vertrieb und Dienstleistungen für Konsumenten derzeit die besten Chancen auf Beschäftigung. Allerdings gehören die Löhne in diesem Sektor zu den niedrigsten in beiden Ländern. Gesundheits-, Bildungs- und Unternehmensdienstleistungen sind die nächst größeren Bereiche; sie umfassen in beiden Ländern 20 bzw. 15 Prozent aller Tätigkeiten. Die Einkommensniveaus in diesen Bereichen sind tendenziell besser als bei Verbraucherdienstleistungen.

Britische Arbeitnehmer müssen eher mit turbulenten Veränderungen auf dem Arbeitsmarkt rechnen als deutsche. Das heißt, auf dem britischen Arbeitsmarkt gibt es ein größeres „Auf und Ab“ als auf dem deutschen Arbeitsmarkt. In Deutschland vollziehen sich Arbeitsmarktübergänge eindeutig eher im Zusammenhang mit einem Verlassen des Arbeitsmarkts als im Zusammenhang mit einem Wechsel von Berufstätigkeiten.

Junge Menschen suchen in beiden Ländern hauptsächlich Tätigkeiten im Dienstleistungssektor, um sich ihren Lebensunterhalt zu sichern; dies gilt vor allem für junge Frauen.

Junge Menschen, die erstmals Arbeit suchen, finden – vor allem in Großbritannien – eher als Arbeitslose eine Beschäftigung in den Bereichen Verkauf oder personenbezogene Dienstleistungen. In beiden Ländern sind der Verkauf und personenbezogene Dienstleistungen eher für Frauen als für Männer relevante Möglichkeiten, eine Arbeit zu finden. Diese Tätigkeiten decken den größten Teil der Übergänge in bessere oder schlechtere Tätigkeiten ab, wobei auch dieser Trend in Großbritannien stärker ausgeprägt ist als in Deutschland. Doch gilt auch, dass aus Beschäftigungsverhältnissen in diesen Tätigkeitsfeldern mehr Arbeitnehmer herausfallen als aus jedem anderen insbesondere in Deutschland. Hier bedeuten sowohl qualifizierte wie nichtqualifizierte manuelle Tätigkeiten ein hohes Risiko, aus dem Arbeitsmarkt herauszufallen.

Je besser die Ausbildung ist, desto besser sind die Chancen, sich einen Job im Dienstleistungsbereich zu sichern. Die beruflichen Perspektiven für andere Personengruppen mit geringem Einkommen sind schlechter. Menschen aus ärmeren Verhältnissen haben ein höheres Risiko, Dienstleistungstätigkeiten zu verlieren.

Dienstleistungstätigkeiten bedeuten nur in seltenen Fällen eine Beschäftigungschance für entlassene Industriearbeiter; sie finden einen Job eher außerhalb des Dienstleistungssektors, so sie denn überhaupt einen finden.

Die relativen Einkommensbedingungen und -ungleichheiten zwischen den Tätigkeiten im Dienstleistungsbereich unterscheiden sich markant zwischen beiden Ländern. In Deutschland sind die durchschnittlichen Einkommensverhältnisse in den Bereichen Verkauf, personenbezogene Dienstleistungen und qualifizierte handwerkliche Tätigkeiten ähnlich; Tätigkeiten im öffentlichen Dienst werden besser bezahlt. In Großbritannien verdienen weibliche Beschäftigte im Verkauf und in personenbezogenen Dienstleistungen deutlich weniger als andere Beschäftigte im Dienstleistungssektor.

Mit der Zunahme von Tätigkeiten im Dienstleistungsbereich geht eine größere Variation von Arbeitszeitregimes einher als man sie in Tätigkeiten außerhalb des Dienstleistungsbereichs findet. Beschäftigte in Dienstleistungstätigkeiten arbeiten eher außerhalb standardisierter Vollzeitbeschäftigungen (35 bis 44 Wochenstunden). Sie arbeiten auch eher Teilzeit oder haben eine besonders lange Wochenarbeitszeit (45 Stunden und mehr) als Beschäftigte außerhalb des Dienstleistungssektors. Nur in der öffentlichen Verwaltung arbeiten in beiden Ländern mehr Personen in einer „Standard“-Vollzeitbeschäftigung (35 bis 44 Stunden).

Kurzfristige Teilzeitbeschäftigungen (weniger als 18 Wochenstunden) bzw. geringfügige Beschäftigungen haben - insbesondere in Deutschland in den letzten Jahren - mit der Ausweitung des Dienstleistungssektors zugenommen. Diese Beschäftigungsformen decken heute in Deutschland 10 Prozent und in Großbritannien 13 Prozent aller Beschäftigungsverhältnisse ab. Geringfügige Teilzeitbeschäftigung findet sich besonders häufig im Vertrieb und in kundenbezogenen Dienstleistungen. Die Beschäftigung in geringfügigen Teilzeitjobs ist unsicherer als bei anderen Beschäftigungsbedingungen und sie endet häufig in einem Ausscheiden aus dem Arbeitsmarkt, vor allem in Großbritannien. Beschäftigte in so genannten Midi-Jobs in Deutschland (19 und 25 Wochenstunden) hatten eine geringere Wahrscheinlichkeit des Ausscheidens aus dem Arbeitsmarkt.

In Deutschland waren die Beschäftigungsraten von Müttern, vor allem mit kleinen Kindern, geringer als in Großbritannien; zudem war die Wahrscheinlichkeit, dass diese Frauen innerhalb eines Jahres nach der Geburt ihres Kindes wieder in ein Beschäftigungsverhältnis zurückkehren, in Deutschland geringer als in Großbritannien. Für beide Länder gilt – vor allem aber für Deutschland – dass Frauen, deren Kinder jünger als zwei Jahre waren, eher wieder in eine professionelle oder leitende Tätigkeit zurückkehrten als Frauen, deren Kinder älter waren. Zwar scheinen Frauen in Deutschland weniger schnell in ihre Berufstätigkeit zurückzukehren; doch kehrt in Deutschland ein größerer Prozentsatz in höher qualifizierte oder in leitende Tätigkeiten zurück als in Großbritannien.

Junge Frauen, die in Deutschland erstmals eine Berufstätigkeit aufnehmen, übernehmen sehr viel häufiger qualifizierte oder leitende Dienstleistungstätigkeiten als Frauen in Großbritannien bzw. auch als Männer in beiden Ländern.

Zusammenfassend kann man sagen, dass Unternehmen in Großbritannien eher Stellen für Einsteiger schaffen als in Deutschland. Aber das Qualifikationsniveau vieler dieser Jobs ist problematisch. Die Kernfrage der Beschäftigungspolitik lautet: Wie lassen sich - vor allem für geringer Qualifizierte - angemessen bezahlte Jobs und berufliche Entwicklungsmöglichkeiten schaffen? Angesichts der bezüglich des Kriteriums „Geschlecht“ festzustellenden Unterschiede beim beruflichen Ein- und Ausstieg in Dienstleistungstätigkeiten sowie hinsichtlich der Art der Berufstätigkeiten ist eine Gender-Perspektive im Hinblick auf die jeweiligen Auswirkungen unterschiedlicher Policy-Ansätze entscheidend zu berücksichtigen.

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1 Introduction: Problems and policy debates

The service sector has been the main source of job growth in recent decades in Europe and the US (Anxo and Storrie 2001). This change in the composition and structure of employment in advanced industrial countries has generated some controversial debates about the future of work. In Germany, in particular, there has been much scepticism about these developments and concern for the viability of the traditional industrial model of employment (Kitschel and Streeck 2004). Germany retains a higher proportion of its population employed in industry than is the case in the US or most other EU member states.¹ That Germany has been able to perform relatively well in terms of maintaining an industrial workforce is often neglected in much of the debate about the under-development of the German service sector. Initially, these debates were concerned with whether or not Germany really had a service sector gap (*Dienstleistungslücke*) compared to the US or UK, or whether this is purely a statistical artefact (Haisken-DeNew et al. 1996, Wagner 1998, Streeck and Heinze 1999, Bosch 2000, Freeman and Schettkatt 2000).

Table 1 Employment trends and levels in the services and non-service sectors in Germany and the UK

	% employment growth 1998-2003	% share of employment in 2003	% employment rate in 2003
Germany			
Agriculture	-11.9	2.3	1.5
Industry	-7.9	31.5	20.5
Services	6.3	66.2	43.0
Total economy	0.9	100	64.9
Britain			
Agriculture	-22.2	1.2	0.8
Industry	-6.7	23.6	16.9
Services	11.1	75.0	53.8
Total economy	5.7	100	71.7

Note: The employment share refers to the proportion of all employment; the employment rate refers to the proportion of the working age population who are employed in this sector
Source: European Commission (2004) chapter 3, annex 6.5

Persistently high levels of unemployment in Germany have increasingly focused attention on the job creation potential of the service sector. For those who accept that more could be done to encourage service jobs, there have been a wide range of different policy recommendations. One explanation for this gap is attributed to high wages and non-labour costs in Germany which makes the creation of low productivity jobs prohibitively expensive (Streeck and Trampusch 2005). One of the most controversial set of policy remedies proposed focused on wage costs. Klös (1997) has suggested reducing unemployment and welfare benefits so as to push wage reductions into the labour market. Alternative proposals advocate the introduction of tax credits, as found in the UK and US, together with wage subsidies to compensate those taking up lower paid jobs, or to reduce the social contributions these workers make (Fels et al. 1999). Erlinger and Buttner (2005) outline how some of these measures have, without great

¹ The industry sector employment rate (i.e. the number of people employed in industry as a proportion of the population) in Germany is 20.5% compared to 12.6% in the US and 16.9% in the UK. Only Austria, the Czech Republic, Portugal, Slovakia and Slovenia have higher industry employment rates in the EU 25 (see European Commission 2004a, chapter 3; table 41).

effect, been adopted under the Hartz reforms in Germany. Freeman and Schettkatt (2000) dismiss the argument that wages or other labour costs are the key factor in explaining the service sector gap in Germany. This opinion is now shared by the Directorate of Employment and Social Affairs of the European Commission following an extensive comparative research programme on the services sector of the EU and the US (European Commission 2004a, chapter 4).

Structural adjustment has over recent decades been managed very differently in the two countries, associated with distinct institutional systems, policy debates and government agendas (Hall and Soskice 2001). In Britain employment is more heavily concentrated in services and the employment rate is higher (Table 2). Measured in these terms, the 'liberal' UK model appears, at the moment, to outperform the more regulated corporatist German model, shackled with historic levels of unemployment and a lower proportion of employed people. The growth of service jobs in Britain, as in the US, has occurred at both the high-skilled/high-wage and low-skilled/low-wage end of the jobs hierarchy (Freeman and Schettkatt 2000, Anxo and Storrie 2001, European Commission 2004a).² As a result policy concerns in Britain have been focused on the consequences for those taking, or encouraged to take, low paying and insecure jobs (Goos and Manning 2003, Mishel et al 2005). In Germany the concern has been about whether they can or want to generate more of these jobs at all.

Table 2 Key employment indicators for Britain and Germany 2003

	Germany	UK
% of employment concentration in services		
% of male employment	58.6	70.5
% of female employment	83.9	91.8
% total	70.3	80.4
% Employment rate (population aged 15-64 years)		
% male employment rate	70.6	78.1
% female employment rate	58.8	65.3
% total	64.7	71.7
% Older person's Employment rate (population aged 55-64 years)		
% older men's employment rate	47.5	64.8
% older women's employment rate	31.2	46.4
% total	39.3	55.5
% Full-time Equivalent (FTE) employment rate		
% male FTE employment rate	68.9	74.0
% female FTE employment rate	46.2	50.7
% total	57.5	62.0
% of total employment which is part-time		
% male part-time employment	6	9.9
% female part-time employment	41.4	44.0
% total	22.4	25.2
% Unemployment rate (for the labour force aged 15+ years)		
% male unemployment rate	10.0	5.5
% female unemployment rate	9.2	4.3
% total	9.6	5.0

Source: European Commission (2004a) *Employment in Europe 2004*, extracted from statistical annex. The part-time employment rates for men and women in Germany are taken from Federal Republic of Germany (2004) *National Action Plan for Employment Policy*, Diagram 2

² Although EU countries tend to have more associate professionals than the US, they produce fewer high skilled jobs in business services, education, health and social services as well as in lower status jobs in retail and catering. There are fewer managers, clerical, service and sales workers in the EU compared to the US (European Commission 2004a).

Low wage work in Germany is concentrated into a limited number of sectors and is predominantly female, while in the US for example, low wage work is more dispersed across sectors and less feminised. The wider overall wage distribution of the US reflects a wider intra-industry wage dispersal. Freeman and Schettkatt's (2000) argue that the gap in service jobs in Germany is not due to a rigid relative wage structures (the '*wage compression hypothesis*') restricting the incidence of low-paying jobs. Nor is it due to a lower incidence of low-skilled workers to take such jobs ('*skill compression hypothesis*') as there are similar proportions in the US, Germany and the UK. The key difference is the sectoral location and gender composition of these workers. If men are just as likely as women to be in poorly paid jobs, the policy debates addressing this are framed differently compared to where poor paid jobs are a female domain, as in Germany, and concentrated in particular sectors. There are very different underlying expectations if the low paid are expected to be breadwinners unable to support themselves and their family, compared to the low paid being predominantly female workers earning a component wage. Framing the problem in terms of the low paid male (or single parent female) breadwinners will generate different types of policies to help low paid men or women with families; for example negative income tax policies such as Earned Income Tax Credit has been implemented in the US and UK, but not in Germany. We might also expect that where male breadwinners can only find a job in low paid sectors there will be an increasing encouragement for their wives/partners to also find paid work, thereby raising the employment rate of women, often in part-time work as in the UK. Where low pay is predominantly female, and these women are living with partners in well paid jobs, there might be less concern about addressing the issue of component wage earners.

At the heart of this debate about the 'service jobs deficit' in Germany lies a 'political' choice. How feasible is it to continuing supporting the traditional characteristics of the German model of high-quality diversified production (Streeck 1992) associated with a high-wage, high-skill equilibrium (Soskice and Finegold 1988), typically found in the domains of well protected sectors of male employment (Gottfried and O'Reilly 2002) that support the dominant male breadwinner model? Is the traditional German model sustainable alongside promoting the development of low-wage and marginal service jobs, more often associated with higher levels of female employment (Fels et al. 1999, O'Reilly and Bothfeld 2002)? Or is it possible to find another route to generate service jobs?

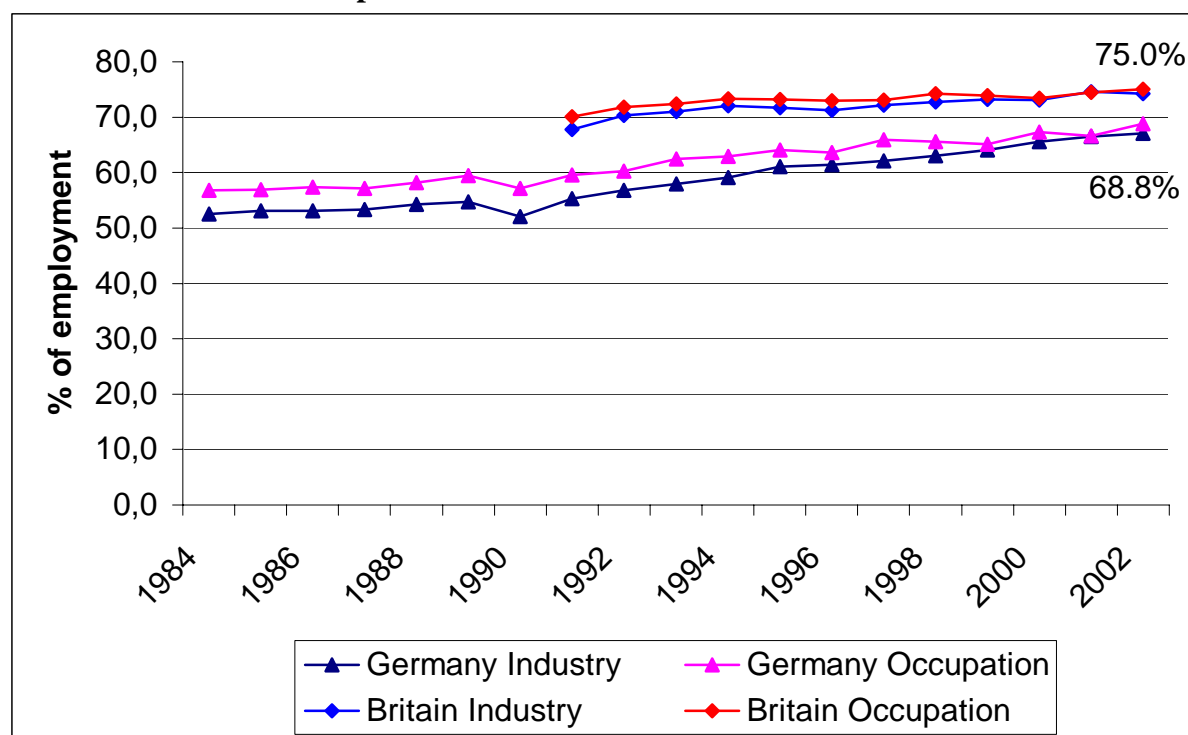
In this research we set out to examine if there is a deficit in service jobs in Germany. We examine and compare the characteristics of service employment in Britain and Germany in terms of occupations and skills, wages and working hours. The aim of this analysis is to identify the types of jobs which have grown in recent years and the quality of this employment. We then explore a further aspect of precariousness associated with service employment by focusing on transitions into and out of these occupations and sectors in both countries.

2 The evolution of service sector employment in Britain and Germany

2.1 Defining service sector jobs - industry versus occupational definitions?

There have been a number of different attempts to define service sector employment, which is not quite as straight forward as one might initially assume. The simplest approach is to take sectoral definitions as given in established data sets. There are, however, two problems with this approach. First, many of the discussions over whether Germany has a service sector gap or not, has pointed out that many manufacturing firms in Germany provide services in-house, compared to the more extensive use of subcontracting in Anglo-Saxon economies (Haiken-DeNew et al. 1996). One consequence of this is that jobs classified as being in the service sector in Britain are likely to be categorised as industrial jobs in Germany. Erlinghagen and Knuth (2003:11) argue that this sectoral base underestimates the extent of tertiarisation in Germany, and therefore researchers have tended to move towards an activity based, i.e. occupational definition, rather than an industry-based approach. In our research we have sought to categorise service sector employment both in terms of occupations as well as in terms of industry location so as to avoid this under representation. Nevertheless, as the tables below indicates, we find that, despite some growth, there are still relatively fewer service sector jobs in Germany than in Britain.

Figure 1 Trends in ‘service job’ expansion as a proportion of all employment using sector and occupational definitions



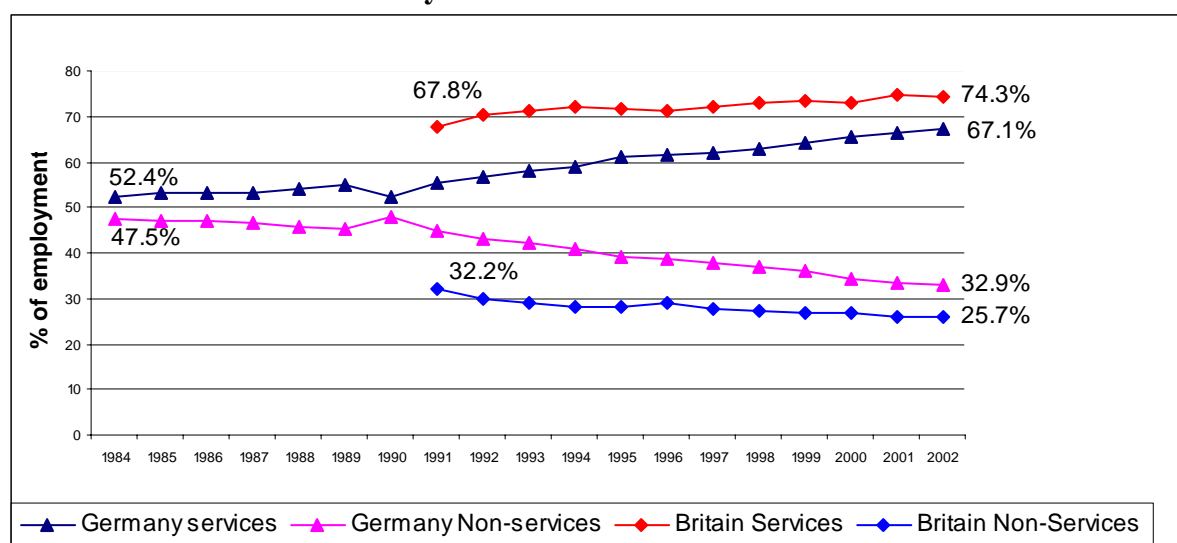
Source: British Household Panel Survey (BHPS) and German Socio-Economic Panel (SOEP), weighted cross sectionally

We can define the service ‘sector’ on the basis of occupation (ISCO-88) or industry (NACE or SIC).³ The former may be preferred if we think growth in service activities is taking place in non-service industries, and to distinguish between growth in such activities and corporate restructuring such as outsourcing of service functions. The share of employment in services defined by industry is higher than that defined by occupation in both countries. Comparing trends over time (see Fig 1.) we find a pattern of continuous growth with a convergence, on both measures, in 2002 of service jobs accounting for 74-75 % of all employment for Britain and 67-68% for Germany.⁴

2.2 The composition of employment in the service sector: sub-sectors of activity

Given the heterogeneous nature of services we differentiate between sub-sectors: Distribution and Consumer services (Retail/hotels/catering etc), Transport, Business services, Public administration, and Health/Education and Social services (including voluntary organisations). The biggest loss of jobs in both countries has been in the traditional production sector (Fig 2a) where employment fell by over 14 percentage points in Germany since 1984 and by just over 6 percentage points in Britain since 1991. Most of the decline in Germany has happened since 1990.

Figure 2a Employment change and the expansion of service sector employment in Britain and Germany



³ Industry is classified differently in the two datasets. The GSOEP uses NACE throughout, while the BHPS uses Britain Standard Industrial Classification (1980) (SIC80). However, in waves 4, 7 and 11, the BHPS also uses the 1992 SIC, which is compatible with NACE. We have used this to cross reference the sector breakdown based on SIC80, and have made it as compatible as possible with NACE. We get about 95% agreement in the three years where SIC80 and SIC92 are both available, and find that inconsistencies are partly due to coding problems (eg the same case coded to retail in SIC80 coded to wholesale in SIC92) and partly due to incompatibilities in the 4-digit categories. We decided where occupations clearly fitted into either services or non-services. Where this was indeterminate we coded it according to how it had been allocated in the NACE/SIC classification.

SIC classification obtainable at: <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=17&Lg=1>

NACE: http://www.fifoost.org/database/nace/index_en.php

⁴ This analysis largely corresponds to EU data for 2003 reporting an employment share in services in Germany at 66.2% and in UK at 75.0% (European Commission 2004a: 108)

The biggest relative increase in job growth has been in business services, particularly in Germany. This is the second largest employer in the service sector accounting for over 15% of jobs in Britain and 13% in Germany in 2002. At the beginning of the 1990s this sector was more developed in Britain, although since 2000 there has been a significant expansion in Germany accounting for nearly a 5% increase in jobs. Looking from a longer perspective this sector has nearly doubled its share of employment since 1984. These increasing shares reflect absolute job increases in these sectors, usually, but not always, associated with higher paid and higher skilled employment (See also European Commission 2004a, Chapter 3, annex 6.5).

Figure 2b Trends in the share of all employment which is located in consumption, business and transport services in Britain and Germany

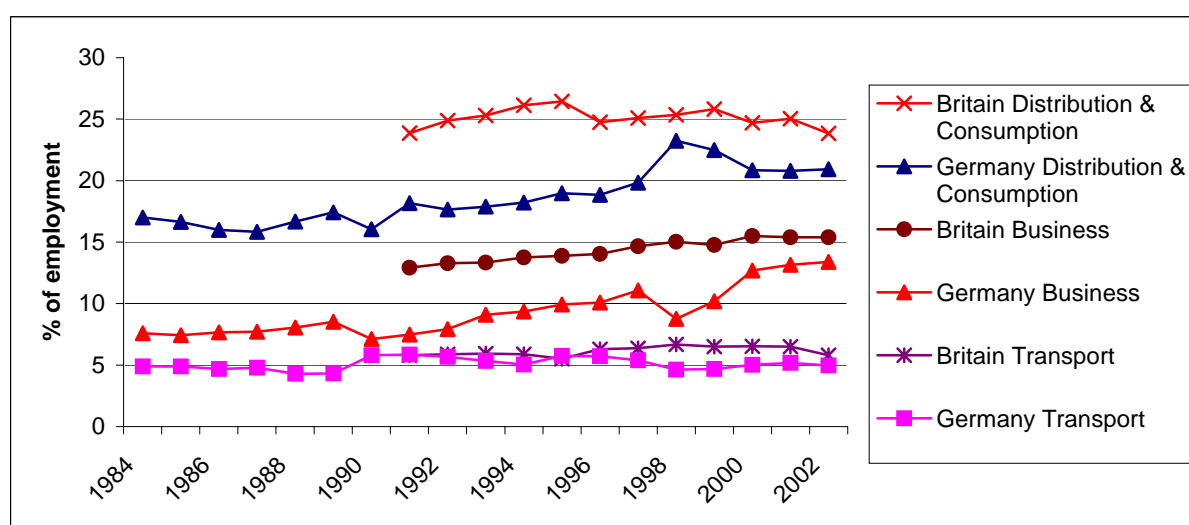
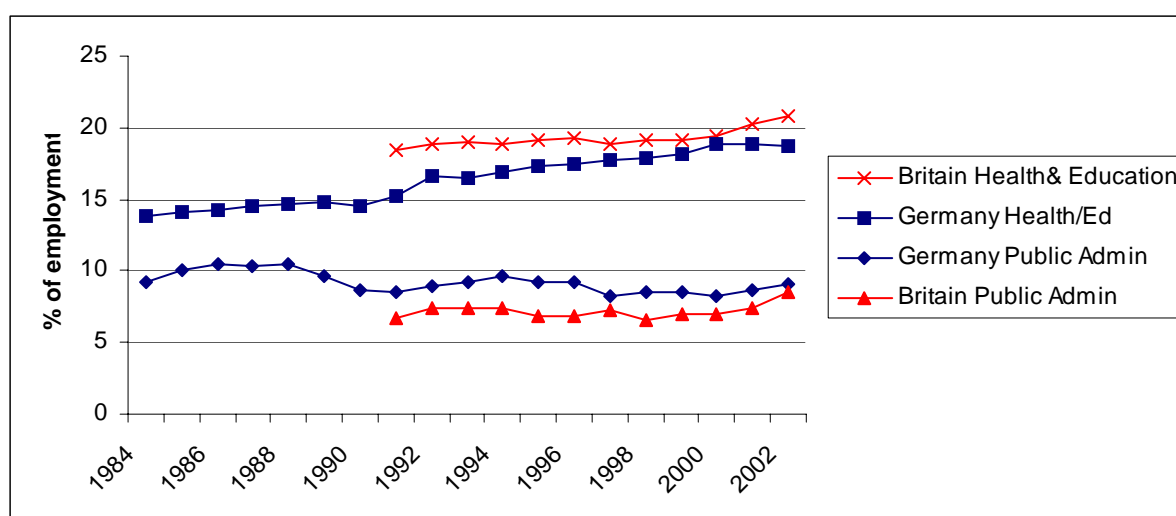


Figure 2c Trends in the share of all employment which is located in health, education and public administration services in Britain and Germany



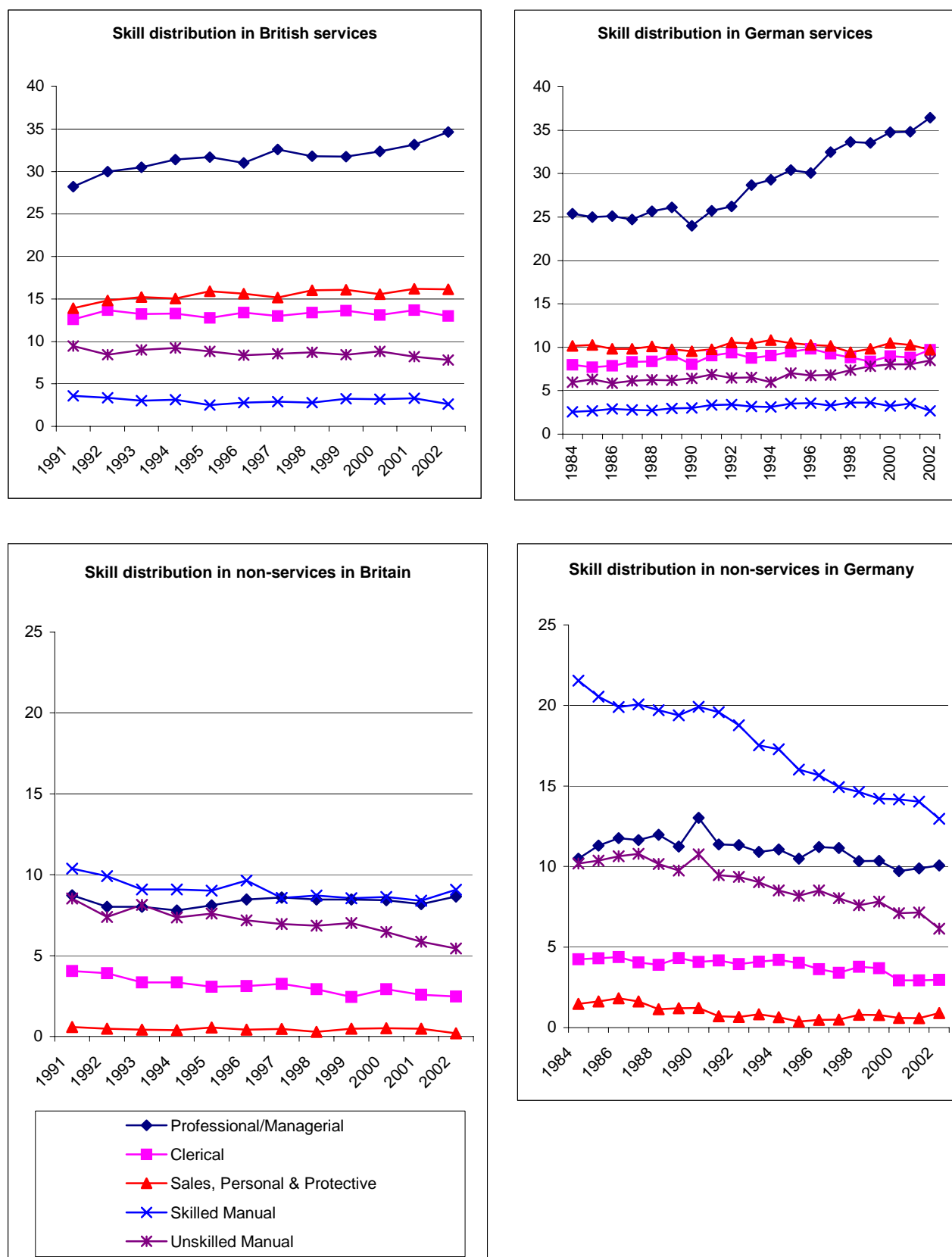
Distribution and consumption is the largest sector in terms of employment in both countries, accounting for just over 20% of employment in Germany and nearly 24% of jobs in Britain in 2002. These include jobs in retail, catering and hotels. However, in both countries, there has been a marginal fall in the employment share in this sector since 1999-2000, although the number of jobs created has continued to expand (Figure 2b). Employment in transport accounts for around five percent or less of total employment and has not changed radically over this observation period.

The health and education sector in Britain has during the 1990s tended to employ overall more people as a percentage of total employment than is the case in Germany, even though it is widely known that in particular professions such as doctors there are twice as many in Germany than in Britain. Since 1992 employment shares in these fields have increased more so in Germany than in Britain (Figure 2c). This could be due to the integration process of German unification with the absorption of former East German workers. Health and education account for around 20% of total employment in both countries, slightly more in Britain than in Germany. The share of employment which is located in public administration in both countries has fallen marginally in Germany, and risen a little in Britain, accounting for around 8-9% of overall employment.

2.3 Skills & Qualifications across sectors

Despite structural differences with the industrial sector playing a larger role in Germany than in Britain, by 2002 both countries were beginning to show more signs of similarity than was the case at the beginning of the 1990s. Figure 3 illustrates three major characteristics about the changing skill distribution in the two societies. First, we find that the massive decline in skilled and unskilled manual jobs in non-services over the past decade, especially in Germany, has not been compensated for by any notable increase of these types of jobs in the services (Figure 3). This is a major area of concern for policy makers keen on integrating displaced workers into employment. Second, in both countries the biggest growth in the share of all employment has been in professional and managerial service jobs, especially more recently in Germany. These high skilled service jobs account for over 35% of all employment in both countries (Figure 3). Third, in Britain a significantly higher proportion of people are employed in clerical, sales, personal and protective service jobs than is the case in Germany. These jobs provide an important 'sponge' in the British economy both for integrating the non-employed as well as absorbing both downward and upward occupational mobility (Fagan et al. 2005). Nevertheless, these jobs are often at the bottom of the earnings hierarchy, thereby potentially perpetuating and augmenting a growing polarisation in income disparities, however, before looking at wage disparities we focus first on occupational change.

Figure 3 Changing skill distribution of employment in services and non-services in Germany and Britain, 1991-2002 (% of total employment)



2.4 What types of occupations have grown?

Professional and managerial jobs account for over 35% of all employment in both countries (and over 40% of all employment when non-service jobs are included, as shown in table 3). The largest occupations in this category in Britain are corporate managers (10.7%) which was significantly higher than in Germany. Next comes 'other associate professionals' which accounted for 7.3% of all employment in Britain, but was the largest group in Germany at over 12%. This category encompasses various activities, including securities, finance dealers and brokers, insurance reps, estate agents, travel consultants, technical and commercial sales reps, buyers, auctioneers and valuers, business service agents, legal professionals, bookkeepers and statistical or mathematical associate professionals.

Table 3 Employment change in professional and managerial occupations 1993-2002
(% of all employment in services and non-service sectors)

ISCO	Occupational title	Britain		Employment change since 1993	Germany		Employment change since 1993
	Professional and managerial	1993	2002		1993	2002	
11	Legislators and senior officials	0.36	0.44	0.08	0.16	0.07	-0.09
12	Corporate managers	7.79	10.72	2.93	3	3.86	0.86
13	General managers	6.5	5.58	-0.92	2.53	2.39	-0.14
20		0.1	0.04	-0.06	--	--	--
21	Physical, mathematical and engineering science professionals	3.53	3.53	0	4.27	5.29	1.02
22	Life science and health professionals	0.68	0.89	0.21	1.03	1.3	0.27
23	Teaching professionals	4.16	4.72	0.56	3.13	4.11	0.98
24	Other professionals	3.39	4.08	0.69	4.71	6.24	1.53
31	Physical and engineering science associate professionals	2.93	2.81	-0.12	4.43	4.49	0.06
32	Life science and health associate professionals	2.71	3.03	0.32	2.94	4.01	1.07
33	Teaching associate professionals	0.09	0.14	0.05	1.22	1.75	0.53
34	Other associate professionals	6.26	7.31	1.05	11.87	12.62	0.75
	Total in 11-34	38.5	43.29	4.79	39.29	46.13	6.84

Managerial status in Britain is not tightly controlled or defined by specific qualifications, which means companies can use this title rather liberally, potentially leading to an inflation of employees with managerial status. In Germany this title is more likely to require specific qualifications. To test our data to see if the British data had disproportionately more managers than the German data we compared the distribution of managers within sectors (Table 4). There is a stronger tendency for British workers to define themselves as managers compared to employees in Germany, who are more likely to be in the category of professionals and associated professionals. This may reflect the fact that occupational status is more closely tied to an educational achievement, rather than a company's hierarchy. However, when we group the two top categories of managers and professionals we find there is no really significant difference between the two countries in the overall number of people in these higher status jobs. But it is in the category of associate professionals that differences between the countries become more apparent: in Germany more employees across all sectors, but especially in public administration and to a lesser extent health and education, are likely to be of the status 'associate professional' than in Britain, where there is a higher proportion of clerical workers. German employees in public administration, health and education appear to be better qualified than in Britain.

Table 4 Distribution of occupations and skills in the service and non-service sector in Britain and Germany 2002 (column %) weighted cross sectionally.

Occupation (ISCO 1)	Distribution & Consumption		Transport		Business		Public Admin		Health & Education		Non-service		Total	
	GB	D	UK	D	GB	D	GB	D	GB	D	GB	D	GB	D
Managers	19.9	14.1	16.7	5.5	21.0	5.6	14.0	0.9	7.7	1.8	17.7	6.0	16.3	6.4
Professionals	4.3	5.6	2.4	7.7	19.0	22.9	11.2	29.2	27.6	33.8	8.2	10.9	12.9	17.1
Managers & Professionals	24.2	19.7	19.2	13.2	40	28.5	25.2	30.1	35.3	35.6	25.9	29.2	29.2	23.5
Associate Professionals	4.9	18.5	7.1	10.9	21.3	29.1	17.4	38.6	23.4	36.1	6.7	13.6	12.9	23.0
All in prof/man	29.1	38.2	26.2	24.1	61.3	57.6	42.6	68.7	58.7	71.7	32.6	30.5	42.1	46.5
Clerical	13.0	14.3	30.3	31.0	23.3	26.8	28.0	6.3	8.8	5.2	9.4	9.0	15.0	12.7
Sales and services	37.7	27.8	3.8	3.3	4.0	0.9	14.0	10.6	22.3	14.0	0.7	2.7	15.8	10.6
Agriculture (skilled jobs)	0.7	1.0	0.0	0.0	0.0	0.2	0.0	1.3	0.5	0.1	3.3	3.0	1.1	1.3
Craft and related	5.5	5.2	6.3	3.9	1.4	3.7	2.9	2.6	0.8	1.7	30.9	36.3	10.2	14.3
Operating and assembly jobs	5.6	3.5	29.8	29.4	3.1	0.7	7.0	3.1	3.1	1.4	16.3	12.3	9.0	6.9
Elementary occupations all sectors	8.4	10.0	3.7	8.2	6.9	10.2	5.5	7.4	5.9	6.0	6.9	6.3	6.7	7.7
	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Table 5 Employment change in Clerical personal & protective services, and sales jobs (% of all employment in services and non-service sectors)

	Clerical personal & protective services, and sales	Britain		Employment change since 1993	Germany		Employment change since 1993
41	Office clerks	12.67	10.96	-1.71	11.18	10.35	-0.83
42	Customer service clerks	3.92	4.52	0.6	1.8	2.21	0.41
51	Personal and protective services workers	10.73	11.25	0.52	7.89	6.83	-1.06
52	Models, salespersons and demonstrators	4.87	5.05	0.18	3.64	3.94	0.3
		32.19	31.78	-0.41	24.51	23.33	-1.18

Jobs in clerical, sales, personal and protective services have declined proportionately over the 1990s in both countries (table 5). But, there are significantly more of these in Britain than in Germany. Clerical staff includes jobs such as secretaries, keyboard-operators library, mail and other clerks. The fall in these occupations is most likely due to the increasing integration of these tasks into other more senior managerial jobs through the use of information technology. Customer service clerks have increased their share more so in Britain than in Germany.⁵ These jobs are as cashiers, tellers and information clerks.

⁵ For a more qualitative analysis of the development of call centre work in Britain and Germany see Rubery et al. (2000). This research shows how the use of call centre workers is much less developed in Germany than in Britain, where there is a greater hesitancy to use new forms of telecommunications for example in financial transactions than is the case in Britain.

The category of personal and protective service workers has increased their share of employment in Britain but not in Germany. These jobs are largely in sales, food and personal care work. In Britain such jobs accounted for just over 11% of employment in 2002 compared to just under 7% in Germany. These jobs are more likely to be at the lower end of the skills and wages hierarchy. Finally, we observe in Table 6 a declining share of employment in skilled and unskilled manual jobs in both countries.

Table 6 Employment change in Skilled and unskilled Manual jobs (% of all employment in services and non-service sectors)

		Britain		Employment change since 1993	Germany		Employment change since 1993
	Skilled Manual						
61	Market-oriented skilled agricultural and fishery workers	1.2	1.14	-0.06	1.29	1.37	0.08
71	Extraction and building trade workers	3.29	3.97	0.68	7.09	5.43	-1.66
72	Metal machinery and related trades workers	5.46	4.99	-0.47	7.85	5.86	-1.99
73	Precision, handicraft, printing and related trades workers	0.77	0.71	-0.06	1.5	1.23	-0.27
74	Other craft and related trades workers	1.4	0.89	-0.51	2.98	1.81	-1.17
		12.12	11.7	-0.42	21.52	15.7	-5.01
	Unskilled manual						
81	Stationary plant and related operators	0.78	0.5	-0.28	1.88	0.94	-0.94
82	Machine operators and assemblers	4.25	3.05	-1.2	3.01	2.84	-0.17
83	Drivers and mobile plant operators	3.31	3.17	-0.14	3.52	3.12	-0.4
90	Elementary occupations	--	--	--	0.42	0.64	0.22
91	Sales and services elementary occupations	5.93	4.43	-1.5	3.64	4.3	0.66
92	Agricultural, fishery and related labourers	0.43	0.12	-0.31	0.36	0.18	-0.18
93	Labourers in mining, construction, Manufacturing and transport	2.47	1.95	-0.52	2.67	2.81	0.14
		17.17	13.22	-3.95	15.5	14.83	-0.67

2.5 The volume of employment in services: full- and part-time jobs

Full-timers typically work longer hours in Britain, on weekly, annual and lifetime indicators. In Germany there has been a stronger corporatist process of negotiating a reduction in full-time working-time hours (Bosch et al.1994, O'Reilly 2003). Lee (2004) shows that during the period 1987-2000 the numbers working long hours increased amongst British employees, despite a statutory maximum 48 hour week introduced by the European Working Time Directive. In Germany those working long hours was much lower and relatively stable over this period.

Men are more likely than women to work very long hours. Nearly a third of British men were usually working 48+ hours a week compared to around 15% of German men in 2002; this compares to one in ten British women and one in twenty German women (Fagan 2004: figure 1). In Britain men who work long hours are likely to be managers and professionals, or in male-dominated low-paid manual jobs in agriculture, manufacturing and some parts of services (transport jobs, security guards). In Germany, there is less variation in the volume of hours worked by full-timers across sectors and occupations. The traditional manufacturing sectors in Germany appear to offer more protection from full-time jobs with long hours than

many parts of the growing service sector. German men, especially in transport and business services, are slightly more likely to work 45+ hours compared to men in non-services; the reverse is true for British men in non-services who work longer hours. British men in transport, distribution/consumer and business services also worked longer hours than those in the public sector. The long full-time hours worked by men in parts of the German service sector suggests that the growing concentration of employment in services may contribute to a lengthening of weekly hours worked by full-timers in Germany. If so, this would represent a significant change, bringing German working-time patterns closer to those found in Britain, even if there is some considerable distance to go before they have a comparable long hours culture.

Table 7 Actual working hours by gender and service sub-sector 2002

A) Men

Germany, Male	Up to 18	19 to 25	26 to 34	35 to 44	45 plus	Total
Distribution/Consumer	9.4	2.7	2.2	47.6	38.1	100
Transport	4.4	1.6	0.4	51.2	42.5	100
Business	5.0	4.2	2.2	46.4	42.2	100
Public Admin	1.3	1.8	1.2	69.0	26.8	100
Health/Ed/Social/Vol	5.2	3.0	6.5	44.9	40.5	100
All services	5.1	2.6	2.5	51.8	38.0	100
Non-services	1.9	0.9	1.3	61.5	34.4	100

Britain, Male	Up to 18	19 to 25	26 to 34	35 to 44	45 plus	Total
Distribution/Consumer	7.1	2.1	4	37.9	48.9	100
Transport	2.7	2.3	0.6	38.8	55.6	100
Business	3.4	0.4	1.2	55.2	39.9	100
Public Admin	2.4	0.8	1.6	68.7	26.5	100
Health/Ed/Social/Vol	8.1	3.0	7.0	48.0	34.1	100
All services	4.7	1.7	2.9	49.7	41.0	100
Non-services	1.8	0.6	0.7	53.1	43.8	100

B) Women

Germany, Female	Up to 18	19 to 25	26 to 34	35 to 44	45 plus	Total
Distribution/Consumer	24.6	14.1	11.3	34.9	15.1	100
Transport	21.5	16.6	11.7	36.8	13.3	100
Business	20.2	11.4	10.6	44.3	13.5	100
Public Admin	5.7	17.7	11.8	51.9	12.9	100
Health/Ed/Social/Vol	13.2	16.3	14.1	45.4	11.1	100
All services	17.0	15.2	11.9	42.65	13.2	100
Non-services	10.1	13.4	7.2	55.8	13.4	100

Britain, Female	Up to 18	19 to 25	26 to 34	35 to 44	45 plus	Total
Distribution/Consumer	22.3	19.4	15.3	28.8	14.2	100
Transport	10.0	12.8	11.0	51.5	14.7	100
Business	17.6	12.3	5.6	53.3	11.3	100
Public Admin	8.3	12.5	14.8	55.2	9.2	100
Health/Ed/Social/Vol	19.1	15.1	15.9	33.5	16.4	100
All services	15.5	14.4	12.5	44.5	13.1	100
Non-services	11.5	10.2	8.7	58.7	11.0	100

Comparing working time arrangement across sectors we find that service sector workers are more likely to work outside the 'standard' full-time range of 35-44 hours. They are more likely to be in part-time or long full-time arrangements compared to those employed in non-services. Only those in public sector administration have the highest rate of 'standard' full-time hours in both countries.

Rates of part-time employment in Britain are relatively high, although in recent years marginal part-time work has also grown significantly in Germany (O'Reilly and Bothfeld 2002). Part-time employment encompasses a diverse range of hours so we distinguish between: marginal 'mini' jobs of less than 18 hours a week and 'midi' jobs involving longer hours but less than full-time hours. A particular strength of the SOEP is that it is the best source for measuring the levels of employment in marginal part-time jobs in Germany, particularly for the pre-1999 period as these marginal part-timers were not recorded in official statistics. We calculate that between 1991-2002 the proportion of people employed in 'mini' part-time jobs rose from just over 6% of all employment to nearly 10%. In 1999 reforms made to incorporate this type of work into the social security system met with vociferous complaints from both employers and employees (O'Reilly and Bothfeld 2003, Schmid and Gazier 2002), but these changes do not appear to have impeded the growth of this form of 'mini' jobs. Subsequent reforms in 2003 sought to promote longer hour or 'midi' part-time jobs, but this has had only limited success to date (Maier 2004). In Britain the government introduced a series of fiscal reforms over the 1990s to raise the earnings threshold, so that those with low weekly earnings, often part-timers, could earn more before making tax and social security contributions. This reduced the institutional incentives for part-time work to be organised into 'mini' jobs, which remained stable over this period at 13% of all employment in Britain. Nevertheless, in both Britain and Germany there was little, if any expansion in the proportion of employment which involved 'midi' part-time hour arrangements.

The incidence of mini part-time jobs is highest in consumer/distribution services – which is the largest employer and the lowest payer of all service sub-sectors in both countries. Women are disproportionately employed in these mini jobs in both countries compared to men. Nearly 25% of all German women employed in this sector were in mini jobs compared to 9% of German males; in Britain the comparable rates were 22% for women and 7% for men. The problem with marginal part-time employment is that it is often associated with inferior wages and social protection. Mini jobs may help students to finance their education, and may provide a foothold in the labour market for other groups, but if they do not provide a transitional entry point for advancing into longer hours and better paid jobs then they do little to generate good quality and sustainable employment (O'Reilly and Bothfeld 2002). Policy debates have drawn attention to the expansion of the 'working poor' pushed into low paid marginal jobs by welfare reform. In recognition of this problem the UK government has expanded the tax credit system of 'in-work' benefits available for low-income working families (Smith 2003). However, this strategy has been variously criticized as an expensive means of tackling the problem, and because it encourages and subsidises low wage employers to compete on price rather than innovation (see Fagan et al. 2004a for a review of the debates).

2.6 Wage relativities within the British and German economies

As one indicator of job quality we assess the relative hourly wages of jobs in different sectors. We distinguish between men and women to get a measure of the gender pay gap at the sector and occupational level in each country. The calculation of the relative hourly wage indicator is explained in Box 1. This indicator expresses the average hourly income for each job

category relative to the national hourly median for men employed full-time.⁶ A score above 1 means that the average hourly income in this job category is more than this national hourly median measure. The higher the score then the higher the average hourly income in the job category relative to that for other job categories. This measure allows us to assess the average wage position of job categories (as well as the wage dispersal) relative to each other within each country; it is not valid for making comparisons of wage levels in a particular job category across Germany and Britain. So for example, it illustrates whether or not sales jobs are better paid per hour relative to a clerical job within each country, and thus allows us to establish a rank order of jobs for each country.

Box 1 The calculation of the wage relativity indicator

The wage data is for all employed persons (excluding the self-employed). Our wage relativity indicator is defined in the following steps

1. Gross personal income is divided by usual working hours.⁷
2. The relative mean wage is standardized and defined in terms of the median full-time (35 hours+) wage for employed men aged 20-49 years. We then use the mean to compare the standardized (or "relative") wages across sectors. Note that the reason why the overall average is above 1, even for men, is that the mean wage is higher than the median. We use the median wage as our reference because this measure is less affected by extreme values, particularly at the high end of the wage distribution, and so is more stable.

The gap between the highest and lowest paying sectors is much greater in Britain than in Germany, reflecting the wider wage dispersion in the British economy. Relative wages are particularly low for women in distribution/consumer services, especially in Britain. Distribution/consumer services pay the lowest rates of any sector, for both men and women, in both countries. The best paying sectors for men, in both countries, are business services. Women are more likely to receive higher rates of pay in health, education, public administration and business services than in any other sector (Table 8).

In both countries women earn less than men in each sector. The gender wage gap is most pronounced in business services: on average, women here earned around 30% less than comparable men working in the same sector. Employment for women in German public administration means that they are likely to be paid on average 15% less than men. This is lower than in other sectors, and much lower than that in Britain where this gap is around 21%. Overall the gender wage gap is slightly larger in Britain than in Germany. Even in the lowest paid sectors of distribution and consumption, German women are likely to earn around 21% less than men, and British women earn 26% less than men in that sector.

Comparing occupational levels within services, we find, to no great surprise, that in both countries managerial/professional occupations are better paid for both sexes. This is followed by all non-service jobs, again in both countries. The lowest paid occupational groups are more likely to be in unskilled manual service jobs followed by sales, personal and protective services. But this hides gender differences which pan out in different ways in the two countries. In Germany there is a simple rank running from managerial/professional, through clerical down to unskilled manual. However, in terms of the gender wage gap we find that it is narrower in lower paid occupations such as unskilled labour and sales, personal and protective services than in higher paying sectors.

⁶ This is done for each year, to control for the effects of wage growth and inflation so that we are only looking at relativities (i.e. between sectors/occupations) and can therefore pool across years.

⁷ Note that this is the personal gross income, which is the best comparable measure possible across the two datasets, as it is not that easy to derive an alternative measure based for example on an accurate measure of gross labour income in a harmonised manner across both the SOEP and the BHPS.

Table 8 Service sector jobs ranked by mean relative wage levels for employed men and women in Germany and Britain by sub-sector and occupation

A) Service sub-sector – ranked in descending order

Germany		Britain	
Men	Women	Men	Women
Business services (1.35)	Health/education (1.01)	Business services (1.51)	Public administration (1.11)
Health/education (1.29)	Public administration (0.98)	Public administration (1.4)	Business services (1.07)
Public administration (1.14)	Business services (0.94)	Health/education (1.28)	Health/education (1.01)
NON SERVICE SECTORS (1.12)	NON SERVICE SECTORS (0.92)	NON SERVICE SECTORS (1.12)	NON SERVICE SECTORS (0.9)
Transport (1.09)	Transport (0.9)	Transport (1.1)	Transport (0.9)
Distribution/consumer (0.96)	Distribution/consumer (0.76)	Distribution/consumer (0.9)	Distribution/consumer (0.67)
Range (highest-lowest)= 39	Range (highest-lowest)=25	Range (highest-lowest) = 61	Range (highest-lowest) = 44

B) Service occupational group – ranked in descending order

Germany		Britain	
Men	Women	Men	Women
Managerial/professional (1.37)	Managerial/professional (1.05)	Managerial/professional (1.54)	Managerial/professional (1.22)
NON SERVICE JOBS (1.12)	NON SERVICE JOBS (0.92)	NON SERVICE JOBS (1.12)	NON SERVICE JOBS (0.9)
Clerical (1.09)	Clerical (0.87)	Skilled manual (0.94)	Skilled manual (0.87)
Skilled manual (0.88)	Sales/personal/protective (0.68)	Sales/personal/protective (0.93)	Clerical (0.84)
Sales/personal/protective (0.87)	Skilled manual (0.63)	Clerical (0.89)	Sales/personal/protective (0.64)
Unskilled manual (0.81)	Unskilled manual (0.62)	Unskilled manual (0.78)	Unskilled manual (0.58)
Range (highest-lowest)= 48	Range (highest-lowest)=43	Range (highest-lowest) = 76	Range (highest-lowest) = 64

Notes: 1) Definition of wage variable: wages are defined as gross income/usual hours. The mean relative wage is measured compared to the median FT (35+) for males aged 20-49 years. The wage data are pooled for the period 1993-2002, weighted cross-sectionally. Pooled data were used to increase reliability of the estimates

Table 9 A comparison of mean relative wage levels by occupational group, working hours and sex for the employed in Germany and Britain

Germany	Male			Female				
	Up to 18	35 to 44	45 +	Up to 18	19 to 25	26 to 34	35 to 44	45 +
Prof/Man Service	2.94	1.32	1.3	1.39	1.17	1.16	0.98	0.96
Clerical Service	1.03	1.01	1.25	0.91	0.92	0.86	0.86	0.81
Sales/personal/protective	0.71	0.94	0.81	0.77	0.71	0.71	0.68	0.51
Skilled Man Service	1.42	0.89	0.83	0.49	0.65	0.66	0.67	0.61
UnSk Man Service	0.87	0.88	0.74	0.63	0.66	0.59	0.64	0.52
Non service	2.72	1.08	1.14	0.94	0.99	0.84	0.9	0.97
Total	2	1.1	1.13	0.96	0.97	0.95	0.88	0.86

Britain	Male			Female				
	Up to 18	35 to 44	45 +	Up to 18	19 to 25	26 to 34	35 to 44	45 +
Prof/Man Service	2.98	1.54	1.5	1.48	1.23	1.18	1.22	1.16
Clerical Service	1.61	0.9	0.85	0.86	0.78	0.78	0.87	0.7
Sales/personal/protective	0.8	1.05	0.84	0.62	0.61	0.64	0.67	0.63
Skilled Man Service	1.99	0.96	0.9	0.73	0.49	0.62	1.05	0.76
UnSk Man Service	0.87	0.82	0.76	0.58	0.55	0.54	0.65	0.52
Non service	4.3	1.14	1.09	0.98	0.77	0.86	0.91	0.95
Total	2.02	1.21	1.15	0.83	0.82	0.84	0.98	1.01

Note: Definition of wage variable: wages are defined as gross income/usual or contracted hours. The mean relative wage is measured compared to the median FT (35+) for males aged 20-49 years. The wage data are for the period 1993-2002, weighted cross-sectionally

Male marginal part-time workers have significantly better relative wages than men working standard full-time hours, suggesting that this small 'elite' of men appear to have a privileged form of part-time work. Only in sales, personal and protective jobs and in unskilled manual services in both countries do male part-timers earn less (Table 9). Nevertheless, only 5% of all employed men in both countries have short working hour arrangements, and the majority have weekly working hours of 35 plus. Men working very long hours (45+) tend to have slightly lower relative wages than men working on standard full-time hours, except in clerical work or non-service jobs in Germany and skilled manual service workers in Britain where men on longer hours have higher relative wages.

It is well-known that women who work part-time incur a pay penalty in most countries, and the negative impact reverberates through into pensions and social protection systems (Rubery 1998). Much of this penalty is because part-time jobs are concentrated in low-paid areas of the service sector, such as in sales (Smith et al 1998). However, the wage penalty for working less than full-time is more pronounced in Britain (Rubery 1998). In Germany women working part-time have average relative wage levels which match or exceed those for women in full-time jobs in comparable occupations (Table 9). Relative wages within occupational groups are very similar in Germany regardless of working time arrangements. Those who work short part-time hours (up to 18) in health and education earn particularly good relative wages, and those in public administration also fare relatively well. In contrast, in most sectors in Britain – with the honourable exception of public administration - women's relative wages are lower if they work part-time compared to their counterparts employed for 35 hours or more. But women employed in distribution/consumer services, in unskilled manual service jobs and sales and related jobs have low relative pay paid regardless of whether they work part-time or full-time. Having established a picture of the characteristics and development of service employment in the two countries we now turn to evaluate the impact of transitions between different employment statuses.

3 Transition patterns: Moving into and out of service sector employment

We were interested in finding out what type of people were entering service sector jobs, and whether they subsequently experienced upward or downward occupational mobility, or exclusion from work. This builds on the distinctions made by O'Reilly et al. (2000) between integrative, maintenance and exclusionary transitions. In particular we focus on 1) transitions that integrate the non-employed into employment, 2) transitions leading to dropping out of work or downward mobility, and 3) transitions indicating upward occupational mobility. To assess this we used two statistical techniques. First we plotted descriptive year-on-year transitions into and out of service employment. Second we used a statistical model (a proportional hazard rate) to assess the significance of characteristics associated with people making these kinds of transition. The definitions of entry status and job destinations which we use in the analysis are explained in Box 2.⁸

Box 2 Definitions of entry status and job destination used in the transition analysis

Status	Definition
Young entrants	Under 25 years old and entering from education
Women returners entering from inactivity/unemployment – 3 categories	Returners include non-employed and unemployed women with young children
- youngest child aged 0-2 years	
- youngest child aged 3-4 years	
- youngest child aged 5-11 years	
Unemployed	Unemployed (ILO definition of job seeking)
Other not employed	Entry from inactivity, including people aged 25+ years entering from education
All non-employed	The sum of the above categories of entrants
Professional/managerial jobs	ISCO 1-3 occupations located in service sectors
Clerical jobs	ISCO 4 occupations located in service sectors
Sales, personal & protective service jobs	ISCO 5 occupations located in service sectors
Skilled manual service jobs	ISCO 6-7 occupations located in service sectors
Unskilled manual service jobs	ISCO 8-9 occupations located in service sectors
Non-service jobs	Manufacturing, agriculture & construction jobs (SIC/NACE)

3.1 Integrative transitions

Stasis is one of the overriding characteristics of the transitions in Table 10: the majority of people remain in the same category as they were one year previously. In Germany, 69% and in Britain 62% of the non-employed were still without a job one year later. A minority of the employed lost their jobs, but more in Germany (8.5%) than in Britain (5.6%) over the period from 1993-2002.

The unemployed

The proportion of people in long-term unemployment (12 months +) was higher in Germany than in Britain (Table 11). Service employment absorbed much higher proportions of the unemployed in Britain than in Germany: 22% of unemployed British men and 36% of unemployed British women found a job in services compared to only 15% of unemployed German men and 20% of unemployed German women. In Britain the 'New Deal' labour market reforms have actively sought to channel many of the unemployed into low wage

⁸ At this stage we do not distinguish between full- and part-time work which we examine in the hazard models.

service jobs (Rubery et al 1998, Dickens et al. 2003), which has been facilitated by a buoyant economy and sustained through Earned Income Tax Credits. In Germany, the relatively more generous levels of unemployment benefit insurance and more severe economic situation have not encouraged such transitions (McGinnity 2004, Gangl 2003, Kemmerling and Bruttel 2005)

Table 10 Overall transition patterns 1993-2002

Status in previous year	Germany			Britain		
	Not employed	Service Sector jobs	Non-service sector jobs	Not employed	Service Sector jobs	Non-service sector jobs
Non-employed people	69.1	23.81	7.09	62.37	31.59	6.04
Employed people	8.5	55.09	36.41	5.56	64.92	29.52
All people	31.24	43.35	25.41	26.89	52.40	20.71
MEN:						
<i>All non-employed</i>	<i>79.16</i>	<i>11.96</i>	<i>8.88</i>	<i>80.57</i>	<i>12.86</i>	<i>6.57</i>
Employed	7.86	45.82	46.32	4.54	55.89	39.57
Unemployed	71.82	15.22	12.96	63.41	21.84	14.75
All men	24.91	37.73	37.36	21.25	46.43	32.32
WOMEN:						
<i>All non-employed</i>	<i>64.06</i>	<i>29.74</i>	<i>6.2</i>	<i>54.8</i>	<i>39.38</i>	<i>5.82</i>
Employed	9.62	71.38	19.00	7.27	80.08	12.65
Unemployed	75.9	19.91	4.19	58.81	36.49	4.7
All women	38.19	49.53	12.28	32.57	58.42	9.01

Notes:

1. See Box 2 for explanation of the definitions used for entry status and job destination
2. The BHPS and SOEP panel data used is for the period 1993-2002 and pools all year-year transitions made for the working age population (16-64 years for men/16-59 years for women)

Looking only at those that moved we found that unemployed men were more likely to get a job in non-services: over 45% of the transitions made by German men and 40% by British men were into non-services (table 11). Professional and managerial jobs in both countries accounted for around 19% of these transitions for unemployed men, with the remaining 16-17% going into unskilled service jobs. The rest were scattered across the other three categories. Unemployed women were less likely to go into non-services in both countries. Around a quarter of these transitions were into managerial and professional services. Similar proportions of unemployed women ended up in clerical work or SP&S jobs.

The non-employed

Women are more likely to be non-employed than men. They also have higher rates of movement into and out of the labour market, especially around child birth. British mothers are more likely than German mothers to re-enter employment: 55% of the transitions in Britain remain non-employed over a 12-month period compared to 64% in Germany. The transition rates for non-employed men, in contrast, are similar in both countries (79-80% remain non-employed).

Non-service work was not a major route into employment for those previously non-employed: only 7% of all transitions from non-employment in Germany and 6% in Britain were into traditional industrial sectors. This compares with transition rates into services for the previously non-employed of 24% in Germany and 31% in Britain.

In Table 12 we look only at those who made a transition, and we find that half of German male entrants (49.8%) and a fifth of German female entrants (19.9%) went into non-service

sector jobs. In Britain the proportions were slightly lower (41% of male entrants and 13% of female entrants). Non-employed women moved into clerical and sales, personal and protective service (SP&P) jobs, compared to men in both countries.

Entry rates into professional and managerial jobs are somewhat higher for women than for men in both countries. Slightly more British men (31.7%) than German men (27.6%) made this transition. The reverse was true for women: in Germany more women went into professional and managerial jobs (39.6%) compared to British women (35.9%). There were fewer gender differences for rates of entry into unskilled manual service jobs.

Table 11 Moving into employment

Status in previous year	Service sector jobs:					Non-service sector jobs	Total
	Prof/Man	Clerical	SP&P	Skilled manual	Unskilled manual		
GERMAN men							
Young entrant	19.27	9.57	6.91	10.77	12.45	41.03	100
Unemployed	18.72	3.37	6.51	8.52	17.01	45.87	100
Other non-employed	28.81	7.32	7.13	4.34	12.74	39.65	100
All men entrants	27.64	4.88	4.99	5.41	7.32	49.76	100
GERMAN women							
Young entrant	34.92	14.61	25.77	2.16	5.66	16.88	100
Returner (child 0-2 yrs)	50.69	10.39	15.49	0.96	5.31	17.16	100
Returner (child 3-4 yrs)	43.13	15	17.07	0.97	5.7	18.13	100
Returner (child 5-11 yrs)	39.74	13.44	18.67	1.39	9.11	17.64	100
Unemployed	24.59	18.91	22.46	4.52	12.15	17.37	100
Other non-employed	32.69	11.39	22.36	2.16	18.43	12.96	100
All women entrants	39.62	14.63	17.3	1.37	7.21	19.87	100
All entrants in Germany	32.77	9.06	10.27	3.68	7.27	36.95	100
BRITISH men							
Young entrant	19.03	13.32	24.96	6.28	10.97	25.44	100
Unemployed	19.35	9.62	8.36	6.43	15.92	40.32	100
Other non-employed	27.53	10.96	11.81	6.1	11.73	31.88	100
All men entrants	31.74	6.7	6.38	5.16	8.98	41.04	100
BRITISH women							
Young entrant	22.31	27.56	33.12	1.01	3.37	12.63	100
Returner (child 0-2 yrs)	40.79	20.47	19.4	0.57	5.85	12.93	100
Returner (child 3-4 yrs)	34.92	24.38	20.64	0.16	6.12	13.78	100
Returner (child 5-11 yrs)	30.75	19.38	28.04	0.52	8.28	13.03	100
Unemployed	25.87	25.08	26.93	0.45	10.26	11.41	100
Other non-employed	28.09	17.48	28.17	0.04	16.06	10.16	100
All women entrants	35.93	21.22	22.31	0.52	6.65	13.36	100
All entrants in Britain	33.66	13.37	13.7	3.03	7.91	28.32	100

Notes:

1. See Box 2 for explanation of the definitions used for entry status and job destination
3. The BHPS and SOEP panel data used is for the period 1993-2002 and pools all year-year transitions made for the working age population (16-64 years for men/16-59 years for women)

Young entrants

In Britain SP&P jobs are a major destination for young people of both sexes: 33% of young women and 25% of young men, compared to 26% of young women and only 7% of young males in Germany. More young women entrants took up clerical and SP&P jobs in both countries compared to young men, who were more likely to enter manual service jobs or non-service jobs. For professional and managerial service jobs in Britain a similar proportion of young men and women make this move, while in Germany the rate is much higher for women. This gender difference in Germany is due to young German men going into non-services: 41% of all young male entrants in Germany, compared to 25% of young British males took up non-service jobs.

Women returners and ‘other non-employed’

‘Women returners’ refer to mothers re-entering employment.⁹ The ‘other non-employed’ includes those registered as sick, disabled, older entrants or those from education (26+ years). ‘Other non-employed’ men were less likely to enter employment than either the unemployed or young entrants in both countries. The small pool that did return to work was in professional and managerial jobs. The entry rate for ‘other non-employed’ women is much lower and similar in both countries and comparable with that of men (89% remain non-employed).

In Britain the age of the youngest child has a less pronounced impact on mothers return to work. In Germany two thirds of non-employed mothers with a child under 3 years were non-employed; this fell to 43% for those with children aged 5-11 years. In Britain between 43-46% remained non-employed regardless of the child’s age. Those who returned when their children were under two years were more likely to go back to a professional or managerial job than was the case for those mothers returning when their youngest child was older. Mothers returning when their children were older were more likely to enter SP& P jobs, or unskilled manual service jobs. This reflects a more general pattern for mothers across Europe, whereby highly qualified women make fewer and shorter employment interruptions associated with childbirth, because of a combination of their greater earnings and career prospects. Additionally, highly qualified women on average profess stronger career orientations and more egalitarian gender roles than those with fewer qualifications and more limited career prospects (Crompton 1999).

German women returners may be slower to resume employment, but a higher proportion of those that do are able to secure entry to higher status professional/managerial jobs than is the case in Britain. This difference applied for all German returners, regardless of the age of their children. British women returners, on the other hand, were more likely to enter clerical and SP & P jobs. This may in part be due to the credentialist education and training system offering protection from downward occupational mobility, which is more common in Britain for those below graduate level (Dex 1987). Gottfried and O’Reilly (2003) have argued that the extension of parental leave rights in recent years has encouraged mothers to take longer out of employment, but it may also provide better protection for their right to return. If German mothers return it would seem to be to better jobs, whilst the alternative is not to work at all.

⁹ The profile measured here is based on employment status at two points in time. This simplifies the ‘returner’ profile somewhat by failing to capture temporary intervening spells of employment, or those who took maternity leave and initially pursued a continuous employment pattern. However, these aggregate patterns do capture the broad picture of exits and returns

3.2 Downward mobility or dropping out?

One of the major criticisms of new service sector employment has been the claim that these represent less secure jobs. To assess this claim we looked at what happened to those in work in the following year (Table 12). Column one indicates the proportion of transitions into non-employment from the different occupational categories. Drop out transitions were much higher in Germany than in Britain. A higher proportion of Germans working in skilled and unskilled manual service jobs, as well as in SP & P jobs, ended up non-employed in this period, compared to those in Britain. These sectors had some of the highest drop out rates of all sectors.

Table 12 Transitions from previous year: outflow percentage tables for the period 1993-2002 (pooled data) for the employed population, age 16-64 (16-59 for women) by sex

A) Germany - all

Status in previous year	Not employed	Service sector employment:					Non-service sector jobs	Total
		Prof/Man	Clerical	Sales, personal & protective (SP&P)	Skilled manual	Unskilled manual		
Prof/man	5.98	86.19	2.34	1.48	0.34	0.62	3.05	100
Clerical service	7.79	9.87	75.43	1.69	0.23	1.01	3.98	100
SP&P	10.88	6.87	1.36	76.27	0.34	1.61	2.68	100
Skilled manual services	10.54	2.95	0.9	1.3	65.33	2.33	16.64	100
Unskilled manual services	13.95	3.15	2.12	1.76	1.35	70.92	6.74	100
Non-service sector jobs	8.84	2.75	0.81	0.51	1.62	1.28	84.19	100
All employed	8.5	29.47	7.77	8.27	3.52	6.06	36.41	100

B) Britain – all

Status in previous year	Not employed	Service sector employment:					Non-service sector jobs	Total
		Prof/Man	Clerical	Sales, personal & protective (SP&P)	Skilled manual	Unskilled manual		
Prof/man	4.5	82.01	4.64	2.39	0.87	1.07	4.51	100
Clerical service	6.16	15.15	68.29	3.29	0.46	1.94	4.72	100
SP&P	8.23	8.61	4.49	71.25	0.59	3.91	2.92	100
Skilled manual services	3.94	10.17	1.8	2.12	54.62	4.96	22.39	100
Unskilled manual services	8.1	4.73	3.53	6.16	1.95	66.7	8.83	100
Non-service sector jobs	5	5.04	1.78	1.24	2.19	2.13	82.63	100
All employed	5.56	32.65	11.32	10.44	3.24	7.26	29.52	100

C) Germany – men

Status in previous year	Not employed	Service sector employment:					Non-service sector jobs	Total
		Prof/ Man	Clerical	Sales, personal & protective (SP&P)	Skilled manual	Unskilled manual		
Prof/man	4.85	87.25	1.63	1.25	0.54	0.76	3.72	100
Clerical service	8.14	11.64	73.37	0.44	0.57	1.89	3.94	100
SP&P	6.38	9.49	0.7	77.13	0.53	2.19	3.57	100
Skilled manual services	9.62	2.64	0.94	0.96	66.58	2.23	17.03	100
Unskilled manual services	13.05	3.13	2.45	0.92	1.66	70.39	8.41	100
Non-service sector jobs	8.61	2.34	0.38	0.24	1.79	1.18	85.45	100
All employed	7.86	25.76	4.43	4.48	4.88	6.27	46.32	100

D) Germany – women

Status in previous year	Not employed	Service sector employment:					Non-service sector jobs	Total
		Prof/ Man	Clerical	Sales, personal & protective (SP&P)	Skilled manual	Unskilled manual		
Prof/man	7.36	84.9	3.2	1.76	0.1	0.46	2.23	100
Clerical service	7.59	8.87	76.6	2.39	0.04	0.51	4	100
SP&P	13.16	5.55	1.69	75.83	0.25	1.31	2.22	100
Skilled manual services	16.72	5.1	0.64	3.61	56.96	2.94	14.02	100
Unskilled manual services	15.67	3.21	1.5	3.39	0.74	71.96	3.53	100
Non-service sector jobs	9.8	4.46	2.62	1.67	0.87	1.72	78.85	100
All employed	9.62	35.99	13.63	14.93	1.14	5.69	19.00	100

E) Britain – men

Status in previous year	Not employed	Service sector employment:					Non-service sector jobs	Total
		Prof/ Man	Clerical	Sales, personal & protective (SP&P)	Skilled manual	Unskilled manual		
Prof/man	3.68	83.01	2.94	1.58	1.41	1.36	6.02	100
Clerical service	4.95	17.44	61.69	3.26	0.76	4.23	7.67	100
SP&P	7.89	9.54	3.98	67.9	1.19	4.58	4.92	100
Skilled manual services	3.74	9.55	1.53	1.67	55.21	5.21	23.08	100
Unskilled manual services	6.85	5	3.75	3.58	2.61	67.71	10.51	100
Non-service sector jobs	4.23	4.61	1.16	0.75	2.54	2.12	84.59	100
All employed	4.54	30.89	6.16	5.65	4.86	8.33	39.57	100

F) Britain – women

Status in previous year	Not employed	Service sector employment:					Non-service sector jobs	Total
		Prof/ Man	Clerical	Sales, personal & protective (SP&P)	Skilled manual	Unskilled manual		
Prof/man	5.69	80.55	7.11	3.57	0.08	0.66	2.33	100
Clerical service	6.78	13.97	71.67	3.3	0.3	0.76	3.2	100
SP&P	8.41	8.14	4.74	72.94	0.29	3.57	1.91	100
Skilled manual services	7.05	19.94	6.04	9.25	45.23	0.96	11.54	100
Unskilled manual services	11.17	4.09	3	12.5	0.32	64.23	4.7	100
Non-service sector jobs	8.73	7.1	4.76	3.66	0.49	2.19	73.07	100
All employed	7.27	35.6	20.0	18.5	0.51	5.47	12.65	100

Notes: 1. See Box 2 for explanation of the definitions used for entry status and job destination.

2. The BHPS and SOEP panel data used is for the period 1993-2002 and pools all year-year transitions made for the working age population (16-64 years for men/16-59 years for women)

The shaded diagonal in columns 2-7 of Table 12 indicate the proportions staying in a specific occupational category. Here skilled manual service work has the lowest proportion of people remaining, year on year: in Germany it is around 65% compared to 54% in Britain. Retention rates were higher at the extremes in professional and managerial occupations and in non-service jobs.

If we look at the figures above the diagonal we can identify the people who moved ‘down’ the occupational ranking. Although the overall numbers are relatively small, a higher proportion of British workers moved down, especially women. In Germany 3.2% of female transitions, compared to 7.1% in Britain, were from a professional and managerial job to a clerical job. Not surprisingly this group had the lowest overall rate of exit transitions.

British women, when they leave a managerial job, are more likely to find employment in lower status clerical work or SP & P jobs. German women are more likely to drop out of employment altogether, with half as many finding lower status jobs. Male exits from high status jobs in both countries into non-employment (4.9% for Germany, 3.7% for Britain) or non-service jobs (3.7% in Germany, 6% in Britain).

Our findings supports other research which shows that British workers are more likely to experience more turbulence in the labour market than is the case in Germany, where movements are more clearly associated with employment exits, rather than a change in occupational status (European Commission 2003 pp135-7, Fagan et al. 2004b, O’Reilly and Bothfeld 2002). Women in both countries are more likely than men to experience downward mobility. A large proportion of manual service workers, especially men, in both countries were also likely to end up in non-service employment. In Germany this does not imply downward mobility as pay rates in this sector are relatively high (Table 14 and 15); however, in Britain wages in this sector are moderate for those already in employment and not particularly good for those just entering.

3.3 Moving up or moving out?

Finally, we can also get an idea of the degree of upward mobility by examining the numbers below the shaded diagonal in table 12.¹⁰ Professional and managerial occupations absorbed the highest percentage of all categories of employment; as we have seen in Figure 3 this is the largest growing sector of employment in both societies. There seems to be more opportunities to access these occupations from clerical positions in Britain than is the case in Germany. There also appears overall to be more upward transitions in Britain than in Germany. This

¹⁰ There are two caveats that have to be borne in mind in relation to this analysis. First, we have included all the employed, not just the recent entrants. This provides a picture of the overall mobility within both economies, but does not distinguish between the mobility patterns of recent entrants compared to people who have been employed for more than 12 months. This refinement was not possible due to sample size limitations, and is explored further in the hazard model analysis. The second caveat is that our definition of upward occupational mobility is partial and judged on two dimensions. First, we take the ISCO ordinal ranking of jobs as indicative of the relative skill level (details of this are available in the appendix). Second, we compare average wages for the job categories that we have devised from the ISCO classification (Table 18 & 19). We are not able to explore more individualised measures of upward mobility – for example promotion within job categories, or individual wage progression – in this study, but this limitation does not detract from the main message, where our focus is on the opportunities offered by the labour market dynamics and occupational structure in the service economy in both countries, rather than a detailed analysis of individual profiles.

could be because access to these occupations is less reliant on formal training and qualifications in Britain.

For British men in clerical work the most common destination is professional and managerial (17%) or non-service jobs (7.7%), followed by non-employment (5%). In comparison, German men end up in either professional and managerial jobs (11.7%) or non-employed (8%), with a lower proportion moving into non-service jobs (3.9%). British women exiting clerical work most commonly go into professional and managerial jobs (13.9%) with most of the remainder exiting into non-employment (6.8%). A similar pattern is also observable for German women who move to one of two destinations: professional and managerial (8.9%) or non-employment (7.6%).

For those employed in sales, personal and protective services the highest exit rates are found amongst British men, with one in three moving out within a year (68% stay in this job area). The rates are similar for women in both countries, while the lowest exit rates are for German men (77% of the small pool of German men employed in this job area stay put). The destinations for British men exiting sales, personal and protective jobs are varied: the two most common destinations are professional and managerial jobs (9.5%) or non-employment (7.9%). This reflects the varied pool of workers who take jobs in this area. These include both students, en route for higher qualified jobs later in their working lives, as well as low qualified men who will be more exposed to the vagaries of job instability and churning between employment and unemployment. A similar divergence of destinations is observed for British women, although here we see that there is also a route into clerical work for some (4.7%). In Germany, the most common destination for women exiting sales, personal and protective jobs is non-employment (13%), with a smaller flow into professional and managerial occupations (5.6%) and lower rates of mobility into clerical work (1.7%) than is observed for British women. The mobility of German men in sales, personal and protective jobs is primarily into professional and managerial (9.5%) or non-employment (6.4%).

A similar pattern is also identifiable amongst skilled manual service workers: British women are the most likely to move out of these jobs compared to all other groups, while German men were the least likely to move. British women exiting skilled manual jobs goes into professional and managerial (20%), non-service (12%) and sales, personal and protective (9%). Comparable German women went into non-employment (16.7%), non-service jobs (14%), with only small proportions moving into other service job types (e.g. only 3.6% went into SP&P). British men exited to non-service jobs (23%), followed by professional and managerial (10%), with only 3.7% going into non-employment. German men exited to non-service jobs (17%), or non-employment (9.6%).

Exits from unskilled manual service jobs for British women were either into SP & P jobs (12.5%) or non-employment (11%). More German women in these jobs moved to non-employment (16%) and only a small proportion to SP & P (4%). German men in unskilled manual service jobs were more likely to drop out of work than British men: 13% of male transitions ended in non-employment in Germany compared to 6.9% in Britain. Men in these types of jobs were more likely to find subsequent work in non-service employment: 10.5% of male transitions in Britain compared to 8.4% in Germany. British men were also more likely to find a job in sales, personal and protective services than was the case for German men (3.6% compared to 0.9% respectively). British men were less likely to fall out of employment than German men, although it might have meant taking a lower paid job.

Overall, a higher proportion of British workers appeared to move between different statuses than was the case in Germany. British workers were also more likely to be able to sustain an employment record whereas German men and women were more likely to exit to non-employment.

3.4 Wage Relativities

The analysis of wage relativities has implications for how we interpret labour market transitions. In table 13 we schematise these transitions. A move from unskilled manual jobs to any other category implies advancement and upward mobility in terms of average relative earnings, although the gain is minimal for a move by women from unskilled into skilled manual service jobs in Germany. Secondly, a move from clerical into managerial/professional service jobs generally implies wage advancement. Thirdly at the top of the occupational hierarchy a move from the managerial/professional service occupations into any other category implies a downward drop in relative wages.

Transitions between skilled manual jobs, sales/personal/protective jobs and clerical jobs have different implications according to gender and country. A move from skilled manual into sales/personal/protective jobs has little impact on hourly income for men, implies average advancement for women in Germany and a loss for women in Britain. A move from a skilled service manual job to a clerical service job is an upward move in terms of average hourly pay prospects for both sexes in Germany, but a downward transition for both sexes in Britain. On average, a move from sales, personal and protective to clerical implies upward wage mobility for all groups except for men in Britain

Table 13 Service occupational transitions which imply an average improvement in hourly income

Transition	Germany		Britain	
	Men	Women	Men	Women
Unskilled manual jobs → any other occupation	✓	✓ (but minimal for a move into skilled manual)	✓	✓
Skilled manual jobs → sales/personal/protective service jobs	--	✓	--	X
Skilled manual → clerical jobs	✓	✓	X	X
Sales/personal/protective → clerical service jobs	✓	✓	X	✓
Clerical service jobs → managerial/professional	✓	✓	✓	✓
Managerial/professional → any other occupation	X	X	X	X

Key				
X	Downward mobility	✓	Upward mobility	-- Little/no change

Table 14 A comparison of mean relative wage levels of new entrants and the employed in Germany and Britain by sector

Sector	Germany Entrant		Total	Britain Entrant		Total
	No	Yes		No	yes	
Distribution/Consumer	0.89 (6)	0.61 (7)	0.87	0.80 (7)	0.58 (7)	0.78
Transport	1.11 (=4)	0.75 (5)	1.09	1.06 (5)	0.82 (=4)	1.05
Business	1.19 (1)	0.77 (4)	1.16	1.33 (1)	0.89 (3)	1.3
Public Admin	1.15 (3)	0.99 (1)	1.14	1.29 (2)	1.03 (1)	1.28
Health/Ed/Social/Vol	1.11 (=4)	0.78 (3)	1.08	1.08 (4)	0.94 (2)	1.07
Non-service	1.16 (2)	0.81 (2)	1.15	1.09 (3)	0.78 (6)	1.08
Not stated	0.91 (7)	0.70 (6)	0.87	0.92 (6)	0.82 (=4)	0.92
Total	1.10	0.75	1.08	1.08	0.79	1.07

Non-service employment paid the second best wages relative to all other sectors in Germany, for both those already employed in the sector and those who had just entered (Table 14). This was not the case in Britain. Non-service employment was one of the lowest paid sectors only marginally above wage rates in consumption and distribution. The best paying sector for new entrants in both countries is in public administration, although this absorbs comparatively fewer entrants than other sectors and is a relatively small proportion of all the employed (Figure 2c). For those already employed, the business sector in each country has the highest rates of pay, followed by those in public administration in Britain and health and education in Germany. Distribution and the consumer sector is one of the lowest paying sectors both for new entrants and those currently employed there in both countries.

Looking at occupational groups and relative wages for entrants in Table 15 we find, not surprisingly, that in both countries professional and managerial jobs are the best paid sectors both for new entrants and those currently employed there. The skilled manual sector is the second best payer for new entrants and for current employees in Britain. In Germany clerical work is marginally better for those already employed there. Sales, personal and protective work is amongst the least well paid for both new entrants and current employees, and this is the sector that is often the easiest to enter.

Table 15 A comparison of mean relative wage levels of new entrants and the employed in Germany and Britain by Skill level (occupation)

Occupation	Germany Entrant		Total	Britain Entrant		Total
	No	Yes		No	Yes	
Prof/Man/Associate Prof	1.24 (1)	0.78 (1)	1.22 (=1)	1.41 (1)	0.95 (1)	1.39
Clerical	0.96 (2)	0.53 (=4)	0.94 (=2)	0.84 (3)	0.69 (3)	0.83
Sales, personal & protective	0.75 (5)	0.53 (=4)	0.74 (=5)	0.80 (5)	0.56 (5)	0.79
Skilled Manual	0.94 (3)	0.69 (2)	0.93 (=3)	0.98 (2)	0.75 (2)	0.97
Unskilled Man	0.90 (4)	0.67 (3)	0.89 (=4)	0.83 (4)	0.67 (4)	0.82
Total	1.03	0.68	1.01	1.11	0.77	1.10

Note: Definition of wage variable: wages are defined as gross income/usual or contracted hours. The mean relative wage is measured compared to the median FT (35hrs +) for males aged 20-49 years. The wage data are for the period 1993-2002. weighted cross-sectionally Number in () rank order. An entrant here is someone that entered the occupation or sector in the previous year, compared with those who were there already.

This difference in mobility patterns between the two countries could well reflect the impact of the more regulated credential and training system in Germany which effectively acts as a barrier to movement between different occupations (Gangl 2001, DiPrete et al. 1997). A different twist on the explanation is that the credential and training system is not simply a barrier to movement, it is a mechanism for delivering stable entry routes rather than labour market turbulence. The movement in Britain might be to do with people entering jobs for

which they are over-qualified with subsequent moves being a form of ‘turbulence’ as they seek to obtain higher level occupations.

3.5 Recruitment and retention of service jobs: New jobs for whom?

3.5.1 Getting into a job

In this final section of the analysis we take a closer look at the characteristics which increase recruitment rates for the non-employed into service jobs, and the retention rates of service sector workers. We report the main findings from a multinomial logit analysis; the detailed tables are available from the authors.

We found that service jobs are more receptive to women, and particularly mothers in both countries. The age pattern of recruitment is not very different across the sectors. The retired and disabled are least likely to enter the work force, but service jobs seem somewhat more accessible for older workers than jobs in traditional industrial sectors. There is a penalty to having low education as higher qualifications are better for accessing service jobs in Britain, whereas in Germany the most recruitable are those with completed second level. Rich households have a relative advantage in placing members in service jobs, which is probably indicative of the clustering effect whereby affluent households living in buoyant local economies, generating service job growth, contribute to the spatial dimension of the polarisation between ‘work rich’ and ‘work poor’ households. Overall, our results indicate that services preferentially recruit from young women, with higher education in well off households.

3.5.2 Retaining a service sector job

We also wanted to see how stable these forms of service employment were. Are services less stable than manufacturing? Do sub-sectors within services differ in terms of employment security? From a preliminary bi-variate analysis we found no major significant differences across the sectors, except for distribution/consumer services and non-service industries in Britain which seemed less stable than other sectors; in Germany business services seemed the most stable. In later multivariate analysis the higher rate of exits from non-services in Britain was confirmed suggesting that in Britain this sector has a lot less stability of employment.

In our analysis predicting re-exit, British entrants from family duties and retirement or disability were more prone to fall back out compared to the unemployed. The reverse was true in Germany with those entering from family duties, education and the “other” group being significantly more stable in employment than the unemployed or those entering from retirement or sickness. The main effect of age is for older workers to leave at a disproportionate rate (moving into early retirement), with this effect starting earlier in Germany, although in later multivariate analysis this national difference diminished. Finally, all women in both countries are more likely to exit the work force than men, even women without children (which includes those exiting due to pregnancy). Our multivariate analysis indicated that for women the younger the child the bigger the chance of re-exiting especially in Germany.

Income effects indicate that in households with equivalised income those receiving less than 50 percent of the median are less stable and vulnerable to more exits than those between 50 to 150 percent. In Germany, those with an income above 150 percent are even more stable.

Education operates in a predictable manner: the main effect is that the poorly qualified have a harder time keeping their jobs. In Germany, those with intermediate secondary education are also at a disadvantage.

We also ran a combined model with additional variables related to the occupation (hours worked, firm size and sector). In both countries short-hour part-timers (working up to 18 hours a week) are far more likely to exit than any other group. This also supports previous analysis by O'Reilly and Bothfeld (2002). In Germany those working between 19-25 hours have a lower risk of exiting than in Britain. Firm size has no significant effect in Britain, but in Germany employment in larger firms is associated with greater employment security. In further analysis not shown, an interaction between entrant type and sector was tested. In Britain this makes no significant improvement in the model. But in Germany a number of combinations stand out. Specifically, entrants from family care are very much more secure if they go to a job in public administration, and somewhat more secure in health/social services; entrants from education and training are most secure in public administration. However, that is the full extent to which sectors seem to differentiate between persons from different prior statuses.

Overall our analysis indicates that the type of people that are most vulnerable to unstable employment measured here by exiting employment are more likely to come from poorer households with lower levels of education, to be mothers or older workers.

4 Conclusions

In this research we set out to examine who has benefited from the growth of service sector employment in Britain and Germany. We wanted to know where these new workers had come from, what types of jobs they ended up with and how stable these were. From our comparison of sectoral changes in the two countries we were able to see how managerial and professional jobs in services had grown the most in recent years, especially in Germany. These now accounted for well over 30% of all employment in both countries. However, this is not usually a destination for displaced industrial workers.

The main overall growth of service sector employment has been in consumer and business services. The growth of employment in business services is associated with a higher gender pay gap; consumer services are more closely associated with lower paid jobs and more marginal part-time work. Many of the findings from our research support the trend towards a growing inequality in wages, a decline in traditional areas of manual work for men, rising rates of female employment and part-time work, alongside markedly expanded opportunities in managerial and professional occupations, and in the case of Germany persistently high rates of unemployment.

One implication of the development of service sector could be a polarisation between good and 'lousy' jobs, associated with a growing diversification of the workforce, on a range of different employment contracts. Such developments begun somewhat earlier in Britain, but we can see this challenge to the standard employment contract emerging in Germany, where there has been a significant increase in short part-time work or marginal jobs. More recently, since 2000, there has also been a notable increase in the number of people working long hours (45+ per week) in Germany, despite earlier attempts to introduce reductions in working time. Whereas ten years ago the debates on service sector employment suggested a significant gap, with Germany holding closer to its traditional industrial model, what we seem to find

appearing in more recent developments is a convergence tendency between Britain and Germany. The decline of employment in the traditional industrial sector seems to bring with it a crumbling decline of some of the most salient characteristics of the traditional German employment model.

We were particularly interested in examining transitions into and out of service employment. What our results indicate is that British workers experience more turbulence in the labour market than is the case in Germany. But the scope for upward mobility in Britain was higher than in Germany. Young labour market entrants were more likely than the unemployed to find work in sales, personal and protective jobs, especially in Britain where there were more of these kinds of jobs than was the case in Germany. Unemployed men were more likely to find work in non-services, rather than in new service jobs. In Germany transitions are more clearly associated with exits, rather than a change in occupational status. DiPrete et al. (1997: 325) have argued that in Germany the viability of mid-career mobility as a tool of structural adjustment has been restricted. This is due to the strong credential-based occupational structure, the tight links in school to work transitions and high labour costs (Di Prete et al. 1997). Their research only focused on men up until the early 1990s. Our research conducted for the subsequent period up until 2002 and including women and younger workers actually supports the earlier findings of DiPrete et al. (1993) suggesting that the effects of employment contraction have been managed through employment exits. Albeit that the pattern we identify for women is due to different reasons related to the regulation and entitlements associated with maternal employment.

German women take longer out of the labour market after having children, but those that do return appear to be better able to retain their former employment status, compared to British women, who are more likely to experience downward occupational mobility. When we looked at mothers who returned to work while their children were still quite young we found that they were more likely to go into professional and managerial roles. Mothers who returned later, when their children were older, were more likely to end up in unskilled manual jobs or in sales, personal and protective service employment. These sectors, which are predominantly female, had the highest drop-out rates of all sectors, especially in Germany, suggesting that employment conditions here are less secure than in other areas. But in Germany skilled and unskilled manual service jobs also had high exit rates. Exits from marginal employment under 18 hours was higher in Britain than Germany, but people in moderate hour jobs of between 19-25 hours in Germany were less likely to exit employment suggesting that they potentially benefited from privileged employment conditions.

Professional and managerial occupations absorbed the highest percentage of all categories of employment. In line with standard human capital theory, we found that better educated people had a higher chance of finding employment in services, which reflects this global change towards a growing percentage of professional and managerial jobs in the service economy. This trend makes it more difficult for those with few qualifications to find secure employment in services. Additionally, those coming from poorer households also had higher exit rates from service work. It is these groups which have been one of the key targets of labour market and social policies in Britain aimed at getting these people into employment through New Deal policies. Britain's higher exits from non-employment might be due to these policies of welfare to work, as well as the fact that the British economy was simply in a more buoyant phase compared to the significant and long term experience of rising unemployment in Germany. It is possible that the German government will want to focus on the impact and effectiveness of New Deal policies which seek to try and get target groups back into employment, and the recent reforms to the unemployment assistance system are designed to

promote more employability and job search (Maier 2004, Kemmerling and Buttner 2005). The extension of such policies would mark a significant cutting away at the basis of the traditional German model, but whether there is both the ability and political will to implement this has yet to be played out in the political realm.

One key issue for policy makers in relation to the precariousness associated with high transition rates in sales, personal and protective services relate to the possibility of improving the quality of employment here so that more of these jobs offer sufficient working hours and wage levels to provide a 'living wage'. Employability measures which enhance opportunities for upward mobility are also important from a life course perspective. This is a problem for both of the countries in our study, even if the turbulence and lower unemployment rates of the UK employment system produces more in-work mobility. A recent comparison of transitions in and out of low pay showed that of the EU member states Germany and the UK economies currently offer fewest opportunities for those in low pay to move into better paid jobs (European Commission 2004a, chapter 5). The same study also demonstrated that across the EU opportunities to acquire qualifications from participation in formal training courses offers more potential than less formal and less transferable on-the-job training as a lever for job advancement. In this respect Germany may potentially be in a better position to develop this strategy by building on, and modernising, the established 'dual system' training system in relation to emerging job areas in the service sectors, but it may also have been this system that has been a hindrance to job mobility in the new economy.

We have been able to show that one of the most significant differences in the composition of service sector employment in the two countries is related to the much higher proportion of clerical, sales and personal & protective service jobs in British economy. These occupational groups appear to be more open to entry for those outside employment. It also plays an important role in Britain in absorbing those who are upwardly mobile, from both skilled and unskilled manual service sector jobs, as well as those who were previously employed in higher status professional and managerial jobs. One of the reasons there appears to be a gap in these types of occupations in Germany can be seen from our earlier comparison of the development of different sub-sectors. Here we saw how the consumer sector in Germany has experienced a significant relative fall in employment since 1999, and this is where we might expect to find more of these types of employment. There are a number of factors which could account for this development.

One of the major issues in German debates has been the impact of macro-economic policy, which goes beyond the scope of this research project. The argument here is that given the relatively low rates of inflation in the German economy the effectively high interest rates maintained by the European Central Bank, together with lower wage rises, has meant that there has been an effective lack of purchasing power in domestic demand. In particular this would appear to affect the consumer sector most immediately. This type of explanation would seek to identify why there has not been sufficient domestic demand for services which would lead to a growth of employment in this sector. Here the high level of consumer credit, fuelled by low interest rates, in the UK 'debt economy' is a key factor stimulating expenditure on consumer services.

Additionally, we also need to make an attempt to explain why German mobility is more closely associated with labour market exits, in contrast to the absorbing effect played by clerical, sales, personal and protective service occupations in Britain, both in terms of accommodating downward and upward occupational mobility. One potential explanation for this could lie with the occupational barriers identified by Di Prete et al. (1997). For example,

the much exalted apprenticeship training system tends to be orientated towards manufacturing occupations, so that a smaller proportion of training positions are available in newly developing sectors and in particular in consumer services. The development of these jobs is taking place more slowly in the German employment system than is the case in Britain. (For a discussion of the development of call centre jobs in both countries see Rubery et al. (2000)).

Other explanations of why there is this gap would focus on the constellation of institutions which serve to encourage a male breadwinner household model where the wife drops out of paid employment and provides these services to the home. This would also tie in well with the arguments made by Gershuny (2000) that reduced working time, together with increased overall levels of wealth tend to encourage households to become increasingly self providing. This could fit well with the German constellation, and is one that we will need to examine in the future.

However, a broader perspective on how to redress the 'service jobs deficit' has recently been advanced by the European Commission (2004a), which concludes that the key to increasing service employment is in stimulating the growth of the comparatively high-paying, high-productive services (business services, education, health and social services), and that a reorientation of public spending towards public services has a crucial role to play in this strategy, particularly in relation to accelerating further increases in the labour market participation of women and older workers. This also suggests a growing recognition of the fundamental role that a restructuring of gender relations has to play in advancing a 'European Social Model' of service sector growth. These factors illustrate the broad scope for future policy reform that dominates the domestic political agendas of both countries.

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Appendix

Methodological Appendix: the data sources and definitions of service jobs used in this study

Our analysis is based on data from the British Household Panel Survey (BHPS) and the German Social Economic Panel (GSOEP). These data sets are a representative sample of households and their members are surveyed repeatedly each year (panel wave). The first GSOEP panel wave started in 1984. There are approximately 13 000 individual respondents living in 6968 households, which since 1990 includes eastern Germany, as well as western German and foreigners belonging to the original sample. The BHPS has a similarly sized household and individual sample with approximately 9000 individuals living in 5000 households. The first wave of the BHPS contains the survey results from 1991 including work-history data for the previous year.

Retrospective data about the employment career since the end of full-time education and information about the employment status between the panel surveys are integrated into one file in the BHPS, but for the GSOEP this needs to be constructed from various files and is only available since the beginning of the survey in 1984. Data management and processing was carried out using STATA. In both panel data sets the longitudinal files only contained a small number of personal characteristics. Cross-sectional information from each wave was merged with the episode data set.

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